


# GA-SEGONYANA LOCAL MUNICIPALITY

# 2022/23

# BUDGET RELATED POLICIES

# ANNEXURE A

# GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2022/23

## GA-SEGONYANA LOCAL MUNICIPALITY




## INDIGENT SUPPORT POLICY

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

## 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

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 R1985.00

r)

## 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 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

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.

## 6. SCOPE OF POLICY APPLICATION

a) The Indigent Support Policy shall be applicable within the areas of jurisdiction of the Ga-Segonyana Local Municipality.

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-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:**

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.

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

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 the rebate will be up to 29% of 6kl of water and charges for household refuse removal, the relief granted shall be a rebate of 100% on the monthly amount billed.

## 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 failure to comply but ward committee, ward councillors may also advice 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

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.

## 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.

## 27. 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;

## 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 | |

**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: _____

# ANNEXURE B

GA-SEGONYANA LOCAL MUNICIPALITY

# TARIFF POLICY

For adoption with the Final Budget: 2022/23 MTREF

Date:

Council Resolution No:

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## 1. DEFINITIONS

In this tariff policy, unless the context otherwise indicates-

**Act:** the Local Government: Municipal Systems Act, No 32 of 2000.

**Accounting Officer**: means the Accounting Officer appointed in terms of section 55 of the Local Government: Municipal Systems Act 2000, No 32 of 2000, and being the head of administration or Municipal Manager.

**Agricultural Consumers** refer to owners or tenants of agricultural properties who are registered with SARS as bona fide farmers;

**Availability Tariff** means where properties are not connected to the municipal infrastructure but can reasonably be connected to the service;

**Audited Financial Statements**: means an annual report issued by an independent registered auditor or a person certified by a registered body or a certified bookkeeper expressing an opinion on the company's financial statements.
This includes a statement of financial position; a statement of financial performance; a cash-flow statement; other statements that may be prescribed; and any notes to these statements.

**Basic municipal services**: means municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, could endanger public health or safety of the environment. For Ga-Segonyana Municipality this shall include inter alia electricity, water, refuse removal and sewerage services.

**Basic Charge** referred to as a minimum charge is the recovery of the distribution and billing-related costs, which include having and distribution system in place, plus the cost of the meter, servicing and reading the meter, mailing the bills and maintaining customer records.

**Break Even** means the financial situation where the income derived by the Municipality from the supply of a service is equal to the aggregate of the fixed and the variable costs associated with the provision of the service concerned;

**Business** means the activity of buying, selling or trading in goods or services and includes any office or other accommodation on the same

erf, the use of which is incidental to such business, with the exclusion of agriculture, farming or, inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms;

**Commercial or Industrial consumers** means industrial undertakings, factories, warehouses, scrap yards, wine cellars, abattoirs, dairy processing plants, fish markets and suchlike consumers.

**Community Service** means services in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature;

**Consumer** means the owner/tenant of premises, regardless of whether it is domestic, commercial industrial or any other type who has entered into an agreement with the Municipality for the supply of a service.

**Council** means Ga-Segonyana Municipal Council, and "municipal council" shall have a corresponding meaning;

**Domestic consumers** means residential properties, group housing, town houses, semi-detached houses and suchlike properties;

**Due date-**

(a) in relation to accounts payable monthly on a recurring basis, the last day of the month which follows on the month during which an account is rendered;

(b) in relation to accounts payable annually, 30th September unless otherwise provided by any other law; and

(c) in all other instances, as and when demand for payment is made by the Municipality;

**Economic services** means services in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers;

**Educational institutions"** means schools and suchlike institutions

**Fixed costs"** means costs which do not vary with consumption or volume produced

**Geographical area** the area of jurisdiction of Ga-Segonyana Municipality

**Indigent households"** means households that are registered at the municipality as such and meet the municipality's criteria in terms of its credit control and debt collection policy and occupying a property within the jurisdiction of the municipality and "poor households" shall have a corresponding meaning;

**MFMA** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);

**Minimum charge** refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time.

**Owner** in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors;

**Public Benefit Organisations"** means public benefit organizations as defined in section 30 of the Income Tax Act no 58 of 1962;

**Resident** means a person who ordinarily resides in the municipal area;

**Special agreements** means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and create job opportunities;

**Sport and Recreation Facilities** means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption;

**Total costs** mean the sum of all fixed and variable costs associated with a service;

**Trading services** means services referred to in paragraph 6(d) and in respect of which the tariffs are set at a level that the Council makes a profit/break even on the delivery of the services.

**Units consumed** means the number of units consumed for a particular service and are measured in terms of the tariff structure;

**Variable Costs** means costs that vary with consumption or volume produced;

**VAT** means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended.

## 2. ABBREVIATIONS

**Kg** - KILOGRAM
**Kl** - Kiloliter (1000 litres)
**KVA** - Kilovolt ampere
KWh- Kilowatt Hour
**m³** - Cubic meter

## 3. PREAMBLE

a) ***Whereas*** section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

b) **And whereas** the tariff policy at least should include the principles contained in section 74(2) of the Act; thus giving effect to the **By-Law** required in terms of section 75 of the Act;

c) **And whereas** the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations do not amount up to unfair discrimination;

d) **Now therefore** the Municipal Council of Ga-Segonyana Municipality adopts the following Tariff Policy, which will be implemented with effect from 1 July 2017 and be reviewed as and when required.

e) The Annexure to the policy is a Tariff Structure compiled in terms of Ga-Segonyana Municipality's Tariff Policy.

## 4. LEGISLATION

The guiding principles used in developing the Ga-Segonyana Municipality Tariff Policy were sourced from the following legislation:

(a) Section 74 of the Municipal Systems Act 32/2000 ("MSA") requires that the Council adopt a Tariff Policy.

(b) Section 62 of the Municipal Finance Management Act 56/2000 ("MFMA") requires the Accounting Officer to ensure that the municipality has and implements a tariff policy.

(c) 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.

(d) The Promotion of Administrative Justice Act 3 of 2000 is the legislation required by the Constitution to give effect to the right to just administrative action and in order to promote an efficient administration administrative action and in order to promote and 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.

## 5. OBJECTIVES

The objectives of the Tariff Policy are to ensure the following:

- The tariffs of the Municipality conform to acceptable policy principles;
- Municipal services are financially sustainable;
- There is certainty in the Council, of how the tariffs will be determined;
- Tariffs of the Municipality comply with the applicable legislation; and
- Tariffs should take into consideration relief to the indigent.

## 6. PURPOSE OF THE POLICY

Ga-Segonyana Local Municipality wishes to achieve the following purposes by adopting this Tariff Policy:

a) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, No 32 of 2000;

b) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act; and

c) To give guidance to the Mayor and Mayoral Committee regarding tariff proposals that must be submitted to Council annually during the budget process.

## 7. TARIFF POLICY PRINCIPLES

A set of Principles to guide the Tariff Policy are as follows:

7.1 **Payment in Proportion to the amount consumed.**
Consumers should pay in a proportion to the amount of services consumed.

7.2 **Full Payment of service costs.**
All households, with the exception of the indigent, should pay the full cost of services consumed. (Refer to Indigent Policy)

7.3 **Ability to pay.**
Municipalities should develop a system of targeted subsidies to ensure that poor households have at least a minimum level of basic services. (Refer to Indigent Policy)

7.4 **Fairness.**
Tariff policies should be fair in that all people should be treated equitably.

7.5 **Transparency.**
Tariff policy should be transparent to all consumers and must be visible and understandable.

7.6 **Local determination of tariff levels.**
Municipality have the flexibility to develop their own tariffs in accordance with these principles.

7.7 **Consistent tariff enforcement.**
A consistent policy for dealing with non-payment of tariffs must be developed.

7.8 **Ensure Local Economic Competitiveness.**
Municipal tariff must not unduly burden the local business through higher tariffs, as these costs may affect the sustainability and competitiveness of such businesses, **more especially when they are to promote job opportunities around the area OR improve the economic viability of the municipal area;**

These Tariff Policy Principles were incorporated into the Local Government Municipal Systems Act, No. 32 of 2000. In terms of Section 74(2) of the Local Government Municipal Systems Act, No. 32 of 2000, the Municipality's Tariff Policy must reflect at least the following principles, namely that:

(a) Users of municipal services should be treated equitably in the application of tariffs;
(b) The amount individual users pay for services should generally be in proportion to their use of that service;
(c) Poor households must have access to at least basic services through:

  (i) Tariff that cover only operating and maintenance costs;
  (ii) Special or life line tariffs for low levels of use or consumption of services or for basic level of services; or
  (iii) Any other direct or indirect method of subsidisation of tariffs for poor households.

(d) Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges

(e) Tariffs must be set at levels that facilitate the financial sustainability of the services, taking into account subsidisation from sources other than the services concerned. A service is financially sustainable when it is provided in a manner that would ensure its financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision;

(f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;

(g) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users; and

(h) The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.

(i) The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

Policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

## 8. NEED FOR A TARIFF POLICY

### 8.1 Revenue Adequacy and Certainty.

(a) The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:
(i) Fully exploit the available sources of revenue to meet its development objectives; and
(ii) Be reasonably certain of its revenue to allow for realistic planning.

### 8.2 Sustainability.

(a) Financial sustainability requires that the Municipality must ensure that its budget is funded. This means that the Municipality must ensure that:
(i) Services are provided at cost reflective tariffs; and
(ii) It is able to recover the cost of service delivery.

(b) The Municipality must set a realistic budget in order to prevent exceeding the budget or failing to establish a proper financial management controls.

(c) The Municipality believes that all members of the community have the right to have access to at least a minimum level of basic services. Therefore, there is a need to subsidise poor households, who are unable to pay even a proportion of service costs.

### 8.3 Effectiveness and Efficient usage of Resources.

(a) Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community. However, there are no mechanisms available to ensure that Municipality's decisions will ensure effective allocation of resources.

(b) They can do this by participating in the budget process. In addition, performance audits should be carried out by the office of the Auditor-General.

(c) Efficiencies in spending and resource allocation will ultimately increase the access of the poor to basic services.

8.4 Accountability, Transparent and Good Governance.

(a) The Municipality must be accountable to the community for the use of its resources. Councillors must be able to:
(i) Justify their expenditure decisions; and
(ii) Explain why and how the revenue necessary to sustain expenditure is raised.

(b) Budget and the financial affairs of the Municipality must be open to public scrutiny. The community should be part of the decision-making process about how revenue is raised and spend.

(c) Community participation in budgeting should include those groups in the community, such as women, who face particular constraints in participating.

(d) It must also include a capacity-building component to ensure that people understand the prioritisation process (Why resources are allocated to one area rather than another).

8.5 Equity and Redistribution.

The Municipality must treat members of the community equitably with regard to the Provision of services.

8.6 Development and Investment.

Meeting basic needs in the context of existing services backlogs, will require increased Investment in municipal infrastructure.

## 9. IMPLEMENTATION OF TARIFF POLICY

9.1 Free Basic Services

(a) A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment.

(b) The Municipality will aim to achieve the goal of providing free basic services to poor households. Therefore, this Tariff Policy has been developed in conjunction with the Ga-Segonyana Municipality's Indigent Policy.

The specific services are:

- Electricity;
- Water;
- Sewerage; and
- Refuse Removal.

(c) The Council is aware that it currently does not provide all these services to all residents within its municipal area. It is also aware that some of the services it currently provides in conjunction with the above-mentioned services may be transferred or assigned to other bodies. In the latter case, the Council commits to make representations and negotiate with those service providers to achieve its goal.

9.2 Affordable Tariffs

(a) The Council is aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at cost reflective but affordable levels.

(b) In order to ensure that tariffs remain affordable, the Council will ensure that:

- Services are delivered at an appropriate level;
- Efficiency improvement are actively pursued across the Municipality's operations;
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used;

(c) To increase affordability for indigent persons, the Council will ensure that its equitable share of revenue raised nationally, will be used to subsidise a certain level of basic services for them.

9.3 Tariff Equality for Services and Property Rates

The Council believes that all residents and ratepayers must pay the same tariff for the same level and quality of service. However different categories of properties can have different tariffs.

9.4 Property Rates

(a) Property Rates must be levied and is payable in respect of all rateable properties within the municipal jurisdiction area.

(b) The Council will ensure that all properties are valued in terms of the applicable legislation during the next financial year.

(c) The Tariffs for Property Rates will be reviewed at least once during every financial year and be used by the Municipality to perform its functions.

9.5 Payment for Services Rendered

The Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption of services, the Council intends to install metering system and also take into account the free service element.

9.6 Local Economic Development and Competitiveness

(a) The Council will take care that the municipal account presented to local businesses are fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

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

(b) The Municipality levy property rates on market related value and this include the land and building.

9.7 Service Delivery Sustainability

(a) The Municipality must ensure that the services that it provides must be sustainable.

(b) The tariff for service must be sufficient to cover the cost of the initial capital expenditure and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision.

9.8 Tariff Determination

(a) Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality and rates on properties.

(b) The Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above.

(c) Immediately after the Council has determined or amended a tariff, the municipal manager must display it at all the offices of the Municipality as well as at such other places within the municipal area as may be determined.

(d) Any person who desire to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed.

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

(f) Where an objection is lodged, the Municipality will consider the objection. The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another on the date on which the determination or amendment will come into operation.

## 10. SOURCES OF REVENUE

(a) In terms of section 229 of the Constitution of the Republic of South Africa Act No.108 of 1996, the Municipality may impose:

(i) Rates on Property and surcharges on fees for services provided by or on behalf of the Municipality; and
(ii) If authorised by National Legislation, other taxes, levies and duties appropriate to Local Government, but it may not impose income tax, value-added tax, general sales tax or customs duty.

(b) The power of a Municipality to impose rates on property, surcharges on fees for services provided by or on behalf of the Municipality, or other taxes, levies or duties:

(i) May not be exercised in a way that materially and unreasonably prejudices National Economic Policies, economic activities across municipal boundaries, or the National Mobility of goods, services, capital or labour; and

(ii) May be regulated by National Legislation.

(c) In terms of section 4(1)(c) of the Local Government Municipal Systems Act, No. 32 of 2000, the Council may finance the affairs of the Municipality by:

(i) Charging fees for services; and
(ii) Imposing surcharges on fees, rates on property and to the extent authorised by National Legislation, other taxes, levies and duties.

(d) The Municipality will establish appropriate mechanisms, procedures and processes to ensure community participation in, amongst other things, the preparation of its budget.

(e) The following provisions will be applicable:

(i) Rates can be paid in not less than 11 consecutive monthly instalments in a financial year if it cannot be paid in one lump sum;

(ii) The revenue of the Municipality consists of the rates and taxes, fees, service charges, fines and other sums imposed or recoverable by or payable to the Council under any law;
(iii) Interest charges equals to Prime Rate + 1%.

(f) Section 10G(a)(ii) of the Local Government Transition Act, No. 97 of 1996 authorises the municipality to levy and recover, by resolution supported by a majority of the members of Council levies, fees, taxes and tariffs in respect of any function or services of the municipality. It further authorises the Municipality, when it determines Property Rates, levies, fees, taxes and tariffs:

(i) Differentiate between different categories of users or property on such grounds as it may deem reasonable;
(ii) In respect of services charges from time to time by resolution, amend or withdraw such determination, amendment or withdrawals will come into operation;
(iii) Advertise on notice boards calling for objections; and
(iv) Recover any charges so determined or amended, including interest on any outstanding amount.

## 11. TARIFF STRATEGY

The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

(i) The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;
(ii) The second point will be to ensure a sustainable service delivery based on the set service levels; and
(iii) The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

### 11.1 Recovery of Cost.

Resource management expenditure is those activities that are required to regulate, manage and maintain the services.

11.2 Capital Costs (Depreciation).

Capital cost expenditure is the Council's obligation to meet the repayment on loans negotiated to finance the provision of the service.

11.3 Maintenance Costs.

These are normal running costs to maintain the services at the established level of service provision.

11.4 Consumption/Usage.

In the case of measurable services, the actual cost of usage of the services is easily determined.

11.5 Cost of Immeasurable Services

These services are normally community and subsidised services and the cost will be recoverable through a rating policy as determined from time to time. Recovery of costs will therefore be equalised over the total area of jurisdiction of the Council and the principle of collective payment will apply.

## 12. CLASSIFICATION OF SERVICES

To isolate the costs associated with a service, the Chief Financial Officer shall, subject to guidelines provided by National Treasury or the Provincial Treasury and / or the Municipal Council, make provision for inter alia the following classification of services

12.1 Trading Services.

(i) Water
(ii) Electricity
(iii) Sanitation/ Waste Water Management
(iv) Refuse Removal / Waste Management

These services are managed like businesses. The tariffs for these services are determined in such a way that a net trading surplus or break-even point is realized. The trading surplus is used to subsidise the tariff of non-trading services and poor household.

12.2 Subsidised Services.

(a) Subsidised services include:
- (i) fire fighting,
- (ii) approving building plans and the construction of buildings,
- (iii) leasing of municipal facilities,
- (iv) selling of burial sites and
- (v) certain town planning functions.

(b) Subsidised services are those services the consumption of which can be determined reasonably accurately and apportioned to individuals and consumers.

(c) However, if the tariffs of using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but also other person.

(d) A user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service.

12.3 Community Services

(a) Community services are those services the consumption of which cannot be determined nor apportioned to individual consumers. These services are typically financed through finance rates.

(b) Examples are the establishment, operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

(c) The Municipality also provides services in support of the above-mentioned services. These are called staff functions and include committee services, records and archives, financial management accounting and stores, occupational health and human resources management. These services are financed through property rates.

NB: The Accounting Officer together with Chief Financial Officer with the assistance of relevant director or manager reserve the right to classify any

other service that have not been classified under any classification above.

## 13. CATEGORIES OF USERS

The tariff structure of the Ga-Segonyana Municipality will make provision for the following categories of users:

(i) Domestic;
(ii) Commercial;
(iii) Industrial;
(iv) Agricultural;
(v) Rural;
(vi) Public Service Purpose;
(vii) Municipal Services; and
(viii) Special agreement for users not falling in any of the above mentioned categories.

## 14. TARIFF CHARGES

### 14.1 Property Taxation

The major source of local taxation is the property tax (property rates). The owners of property in municipal area have to pay a tax based on a valuation of their properties in order to finance certain municipal services. While this tax is by no means the sole source of municipal revenue, it is an important source of discretionary revenue for the Municipality and enables it to function effectively. For details of property taxation refer to the Property Rates Policy of the Ga-Segonyana Municipality.

### 14.2 Services Charges

(a) An important source of local own revenue is charges that are directly related to the provision of municipal services. The majority of these are utility charges, such as electricity, sanitation, refuse and water which have contributed significantly to the growth of Municipalities' Revenue.

(b) Cost recovery is an essential part of sustainable service delivery. In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge and a charge based on consumption, the

municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

14.3 Electricity

(a) The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the Council in each annual budget. Tariff adjustments shall be effective from 1 July each year or as soon as possible thereafter.

(b) Categories of consumption and charges shall be as follows:
   (i) All electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
   (ii) All domestic electricity consumers of the municipality who are registered as indigents with the municipality shall receive free the first 50kWh of electricity consumed per month.

14.4 Water

(a) The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the Council in each annual budget. Tariff adjustment shall be effective from 1 July each year.

(b) Categories of consumption and charges shall be as follows:
   (i) All domestic water consumers registered as indigents with the municipality shall receive free the first 6 kl of water consumed per month. Thereafter normal tariff charge per consumption will apply.
   (ii) All other domestic consumers shall be charged for actual water consumption.

   (iii) All other consumers, including businesses, industries and institutional consumers shall pay the different tariff per kl, according to the volume of water consumed.
   (iv) Because water is a scarce national resource and this municipality is committed to the cautious conservation of such resources, the tariff levied for consumption of water shall escalate according to the volume of water consumed.

(v) The tariffs for consumption shall be based on a step tariff structure which is annually approved by Council during the budget endorsement process.

14.5 Refuse Removal

(a) The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the Council in each annual budget. Tariff adjustment shall be effective from 1 July each year.

(i) Fixed monthly charge based on the costs of the services shall be charged for domestic users based on the **1 x removal per week.**

(ii) Fixed monthly charge based on the costs of the services shall be charged for business users per holder **1 to 5 x removals per week and 1 to 7 x removals per week.**

(iii) Availability charge based on removals per week shall be charged for residential and business.

(iv) Availability charge based on the properties which are not connected to the main service which may in the opinion of the Municipality be provided with necessary service.

(v) **Availability fee will not be charged on vacant land**

14.6 Sewerage

(a) The categories of sewerage users as set out below shall be charged at the applicable tariffs, as approved by the Council in each annual budget. Tariff adjustment shall be effective from 1 July each year.

(i) A fixed basic charge per month shall be charged for all consumers excluding indigents.

(ii) Variable monthly charge based on 22% of water consumption for households in Kuruman and Wrenchville and 39% for all businesses, industries and institutional users.

(iii) Availability charge based on the properties which are not connected to the main service which may in the opinion of the Municipality be provided with necessary service.

(iv) **Availability fee will not be charged on vacant land**

14.7 Suction Services

(a) A basic charge per month to be levied with the exception that no charge will be levied in the event that a suction service was rendered in a particular month.

(b) Suction services during normal working hours will be:

- Suction cost per kilolitre; plus
- Transport charges per kilometre
- The cost will be paid prior to service being rendered.

14.8 Consumer Deposits

(a) Consumer Deposit on services will be charged on all residential and business properties.

(b) Note that the new consumers blacklisted at Credit Bureau will be liable for 2 x applicable deposit excluding Indigent Households.

14.9 Prepaid

(a) Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied on properties where pre-paid meters have been installed.

(b) No basic charge per meter installed is billed/levied to on properties.

14.10 Sundries

(a) The following services shall be considered as economic services, and the tariffs levied shall cover 100% of the actual operating expenses of the service concerned:
  (i) Graves.
  (ii) Building Plan fees.
  (iii) New connection fees for electricity, water and sewerage.
  (iv) Photostat copies and fees.

(b) The following services shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:
  (i) Advertising sign fees.
  (ii) Sale of graves.
  (iii) Disconnection and reconnection fees for electricity and water.
  (iv) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection.
  (v) Penalty charges on outstanding services account for submission of dishonoured cheques.

14.11 Minor tariffs

(a) All minor tariffs shall be standardized and be cost reflective as much as possible within the municipal area.

(b) All minor tariffs shall be approved by Council in each annual budget and shall, when deemed appropriate by Council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

(c) Minor tariffs shall include but not limited to the following:

(i) Housing rentals
(ii) Library fees (e.g. membership fees, fines, lost books, lost membership cards)
(iii) Rentals for the use of municipal premises
(iv) Rentals for the use of municipal sports grounds
(v) Rentals for the lease of municipal property
(vi) Advertising sign fees
(vii) Cleaning of stands
(viii) Tax Clearance certificates
(ix) Supply of information (e.g. for Tender processes, etc.)
(x) License fees (drivers, learner license and road worthy)
(xi) Sale of miscellaneous items

(d) The Municipal Manager shall maintain a list of all minor services indicating their unit of service for the purpose of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees, charges and levies.

## 15. COMMUNITY PARTICIPATION

(a) In terms of section 16 (1) a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must for this purpose-

1) Encourage, and create conditions for, the local community to participate in the affairs of the municipality, including in-
   (i) the preparation, implementation and review of its integrated development plan in terms of Chapter 5;
   (ii) the establishment, implementation and review of its performance management system in terms of Chapter 6;
   (iii) the monitoring and review of its performance, including the outcomes and impact of such performance;
   (iv) the preparation of its budget; and
   (v) strategic decisions relating to the provision of municipal services in terms of Chapter 8;

2) Contribute to building the capacity of-
   (i) the local community to enable it to participate in the affairs of the municipality; and
   (ii) councillors and staff to foster community participation; and

3) Use its resources, and annually allocate funds in its budget, as may be appropriate for the purpose of implementing paragraphs *(a)* and *(b)*.

(b) Section 16(2) further stipulates that subsection (1) must not be interpreted as permitting interference with a municipal council's right to govern and to exercise the executive and legislative authority of the municipality.

(c) In terms of section 17 of the Local Government Municipal Systems Act, No. 32 of 2000 requires the municipality to establish appropriate

mechanisms, processes and procedures for community participation

1) Participation by the local community in the affairs of the municipality must take place through—
   (i) political structures for participation in terms of the Municipal Structures Act;
   (ii) the mechanisms, processes and procedures for participation in municipal governance established in terms of this Act;
   (iii) other appropriate mechanisms, processes and procedures established by the municipality;
   (iv) councillors; and
   (v) generally applying the provisions for participation as provided for in this Act.

2) A municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality, and must for this purpose provide for—
   (i) the receipt, processing and consideration of petitions and complaints lodged by members of the local community;
   (ii) notification and public comment procedures, when appropriate:
   (iii) public meetings and hearings by the municipal council and other political structures and political office bearers of the municipality, when appropriate;
   (iv) consultative sessions with locally recognised community organisations and, where appropriate, traditional authorities; and
   (v) report-back to the local community.

3) When establishing mechanisms, processes and procedures in terms of subsection (2) above the municipality must take into account the special needs of–
   (i) people who cannot read or write;
   (ii) people with disabilities:
   (iii) women: and
   (iv) other disadvantaged groups.

4) A municipal council may establish one or more advisory committees consisting of persons who are not councillors to

advise the council on any matter within the council's competence. When appointing the members of such a committee, gender representation must be taken into account.

## 16. RESPONSIBILITY AND ACCOUNTABILITY

(a) The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy.

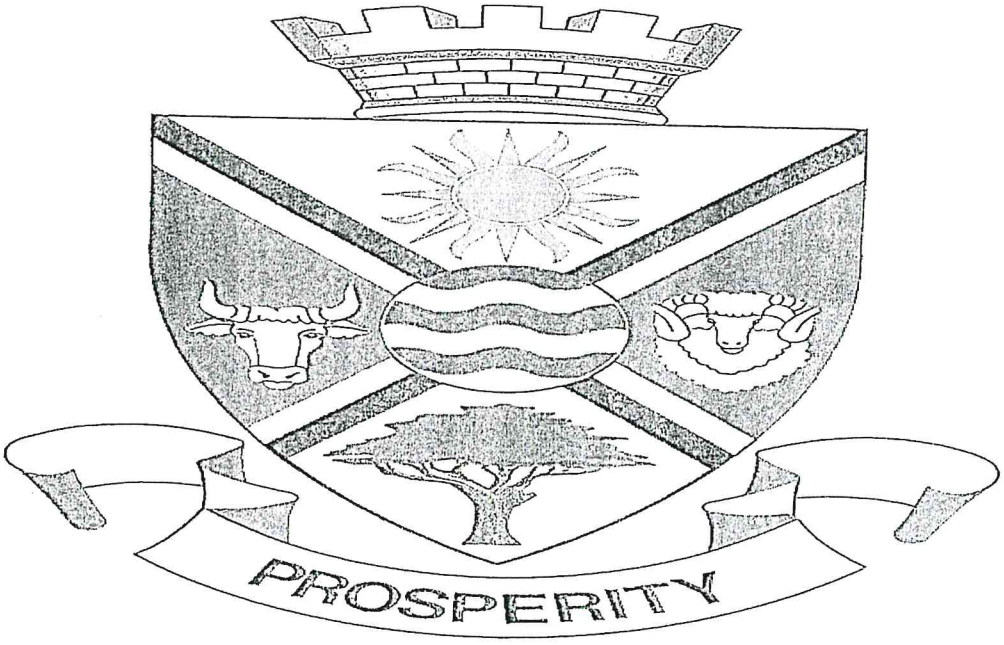
(b) The Municipal Manager or delegated official(s) by the Municipal Manager have the responsibility to ensure that the Tariff Policy is in place and that it is effectively implemented.

## 17. REVIEW OF THE TARIFFS POLICY

(a) This policy will be reviewed at least once in a financial year and more ideally during the budget process.

# ANNEXURE C

# GA-SEGONYANA
# LOCAL MUNICIPALITY




# CREDIT CONTROL AND DEBT COLLECTION POLICY

## POLICY: CREDIT CONTROL AND DEBT COLLECTION

### 1. DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:

**Act**: The Local Government Act: Municipal Systems Act No 32 of 2000 as amended from time to time.

**Authorised representative**: the person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.

**Availability charge**: means where properties are not connected to the municipal infrastructure but can reasonably be connected to the service;

**Basic Charges**: referred to as a minimum charge, is the recovery of the distribution and billing-related costs, which include having a distribution system in place, plus the cost of the meter, servicing and reading the meter, mailing the bills and maintaining consumer records

**Basic Service**: the amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety of the environment and for the purposes of this Policy are restricted to the delivery of electricity, refuse, sewerage and water services.

**Chief Financial Officer**: an officer of the Municipality appointed as the Head of the Finance Department and includes any person:

(a) acting in such position; and
(b) to whom the Chief Financial Officer has delegated a power, function or duty in respective of such a delegated power, function or duty.

**Child-headed household**: a household where all the occupants of a residential property are younger than 18 years old, i.e. a child-headed household is a household consisting only of children.

**Council**: a municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Municipality of Ga-Segonyana.

**Credit Control**: is the limiting of further sales of services to debtors in arrears and the negotiation for payment in exchange for normalising further service delivery.

**Debt Collection**: is the execution of functions necessary to collect unpaid income of the municipality, owed by clients who are debtors.

**Closely connected person**: any immediate relative of the person namely spouse, child, parent, parent-in-law, life partner.

**Collection Charges**: means collection charges which may be recovered by the Municipality in terms of section 75A of the Act, and includes the cost –
to remind debtors of arrears; for the termination and reconnection of services; and
all legal costs, including attorney and own client costs incurred in the recovery of arrear amounts.

**Consolidated Account**: means a monthly account reflecting all fees, charges, surcharges on fees, property rates and other municipal taxes and services, levies, penalties and duties in respect of various accounts held by a consumer for all properties.

**Consumer**: any occupier of any property to which the Municipality has agreed to supply services or already supplies services to, or if there is no occupier, then the owner of the property (including registered indigent household).

**Defaulter**: a person who owes money to the Municipality in respect of a municipal account after the due date for payment has expired.

**Director**: the person in charge of the department within the Municipality and includes any person:

(a) acting in such position; and
(b) to whom the Director has delegated a power, function or duty in respective of such a delegated power, function or duty.

**Due date**: means the date indicated on an account statement by which time payment of the amount on the statement is required.

**Equipment**: a building, structure, pipe, pump, wiring, cable, meter, machine or any fittings.

**Household**: all persons who are jointly living on a stand or site on a permanent basis and who receive electricity and/or water from one meter, regardless whether the person rents or owns the property.

**Illegal Connection**: means a connection to any system through which municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.

**Indigent**: means a debtor whose whole household has been evaluated in terms of the Indigent policy and who is registered as being indigent.

**Indigent amount:** means the applicable indigent subsidy as determined by the Municipality from time to time;

**Interest**: a levy with the same legal priority as service fees and calculated on all amounts in arrears in respect of assessment rates and service levies at a standard rate as approved by Council.

**Municipality**: the institution that is responsible for the collection of funds and the provision of services to the consumers of Ga-Segonyana.

**Municipal Account or billing**: the proper and formal notification by means of a statement of account, to persons liable for monies levied and indicating the net accumulated balance of the account, specifying charges levied by the Municipality, or any authorised and contracted service provider, in the format of, but not limited to:

(a) show the levies for assessment rates and/or building clause; and
(b) monthly account rendered and shows the levies for assessment rates and/or building clause, availability charge, sewerage, refuse removal, electricity, water, sundries, housing rentals and instalments, as well as the monthly instalment for annual services paid monthly.

**Municipal Manager**: the accounting officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person:-

(a) acting in such position; and
(b) to whom the Municipal Manager has delegated a power, function or duty in respective of such a delegated power, function or duty.

**Municipal Services**: those services provided by the Municipality such as, amongst others the supply of water and electricity, refuse removal, sewerage treatment, and for which payment is required by the Municipality.

**Occupier**: any person who occupies any property or part thereof, without any regard to the title under which he/she so occupies the property

**Owner:**

(a) the person in whom the legal title to the property is vested;
(b) a person mentioned below may for the purposes of this Policy be regarded by a municipality as the owner of a property in the following cases:
    (i) A trustee, in the case of a property in a trust excluding state trust land;
    (ii) an executor or administrator, in the case of a property in a deceased estate;

(iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
(iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
(v) a curator, in the case of a property in the estate of a person under curator ship;
(vi) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
(vii) 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;

(c) in the case where the Council is unable to determine the identity of such person, the person who is entitled to the benefit of such property or any building thereon;

(d) in the case of a property for which a lease agreement of 30 years or more has been entered into, the lessee thereof;

(e) regarding:
(i) a portion of land delineated on a sectional title plan registered in terms of the Sectional Titles Act, 1986 (Act No 95 of 1986), and without restricting the above mentioned stipulations, the developer or body corporate of the communal property; or
(ii) a portion as defined in the Sectional Titles Act, the person in whose name that portion is registered under a sectional title deed, including the legally appointed representative of such person;

(f) any legal entity, including but not limited to:
(i) a company registered in terms of the Companies Act, 1973, a trust, a close corporation registered in terms of the Close Corporations Act, 1984; as amended by the Companies Act, 2008;
(ii) any local, provincial or national government or organs of state;
(iii) any council or board established in terms of any legislation applicable to the Republic of South Africa;
(iv) any embassy or other foreign entity.
(v) in the case of property owned by the Council and which has been allocated to an individuals, but which has not been transferred to the person to whom it has been allocated to, such person from the date of the allocation concerned; and
(vi) in the case of property owned by or under the control or management of the Council while held under a lease or any express or tacit extension thereof or under any other contract or under a servitude or right analogous thereto, the person so holding the right to the immovable property.

**Premises or Property**: any portion of land, the external surface boundaries of which are delineated on:

(a) a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act No 9 of 1927) or in terms of the Deeds Registry Act,1937 (Act No 47 of 1937); or
(b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No 95 of 1986); which is situated within the area of jurisdiction of the Municipality.
(c) 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;
(d) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
(e) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
(f) public service infrastructure.

## 2. LEGISLATIVE REQUIREMENT

2.1. In terms of Section 152 of the constitution of the Republic of South Africa, Act 108 of 1996 and Section 96 of the Municipal Systems Act no 32 of 2000 (herein after referred to as the" Systems Act") Chapter 7, Section 152 of the Constitution states the following:

- To provide democratic and accountable governance to local municipalities.
- To ensure the provision of services to communities in a sustainable manner.
- To promote a safe and healthy environment.
- To encourage the involvement of communities and community organisations in the matters of local government.

2.2. The municipality must strive within its financial and administrative capacity for the achievement of the above-mentioned objectives hence Section 96(a) and (b) of the Systems Act must be observed:

(a) Section 96 (b) of the Systems Act requires from Ga-Segonyana Local Municipality to adopt, maintain and implement a Credit Control and Debt Collection Policy which is consistent with its Rates and Tariff policies and complies with the provisions of the Act.

(b) Section 96 (a) of the Systems Act prescribes for Ga-Segonyana to collect all monies that is due and payable to it, subject to the provisions of that Act and any other applicable legislation.

## 3. GENERAL OBJECTIVES:

The objectives of this Policy are to:

a) provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;

b) ensure that all monies due and payable to the Municipality are levied and collected in a financially sustainable manner;

c) outline debt collection and credit control procedures and mechanisms; and

d) provide for indigents in a way that is consistent with rates and tariff policies and any national and / or local policy on indigents;

e) set realistic targets consistent with –
   (i) generally recognized accounting practices and collection ratios; and
   (ii) the estimates of income set in the budget less an acceptable provision for bad debts.

f) provide for charging of interest on arrears, where appropriate;
g) provide for extensions of time for payment of accounts;
h) provide for termination of services or the restriction of the provision of services when payments are in the arrears;

i) provide for matters relating to unauthorized consumption of services, theft and damages;

j) provide for actions that may be taken by the municipality to secure payment of accounts that are in arrear including –
   (i) The termination of municipal services or the restriction of the provision of services;
   (ii) The seizure of property;
   (iii) The attachment of rent payable on a property; or
   (iv) The extension of liability to a director, trustee or a member if the debtor is a company, a trust or a close corporation.

k) provide for alternative debt repayment arrangements in accordance with the terms and conditions of this policy;

l) create an environment which enables a consumer to repay the outstanding debt and establish culture of payment for services rendered by the municipality;

m) effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy; or

n) provide for procedures and mechanisms to ensure that all monies due and payable to the municipality are collected.

## 4. PRINCIPLES

a) The administrative integrity of the Municipality must be maintained at all costs. The municipal council is responsible for development of the policy, while it is the responsibility of the Municipal Manager to ensure the execution/implementation of these policy.

b) All consumers must complete an official application form, formally requesting the Municipality to connect them to service supply lines. Existing consumers may be required to complete new application forms from time to time, as determined by the Municipal Manager.

c) Application forms, agreements and documents relating to this Policy must be available in English. Officials designated to control and manage these documents must be able to clearly explain the contents of this policy.

d) An additional copy of the application form, conditions of services and extracts of the Council's Credit Control and Debt Collection Policy must be handed to every consumer on request at such fees as may be prescribed by Council.

e) Billing is to be accurate, timeous and understandable as far as possible to consumer.

f) The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods which will include cash, debit or credit card, electronic fund transfer, debit order and bank order payments.

g) The consumer is entitled to an efficient, effective and reasonable response to appeals.

h) Enforcement of payment must be prompt, consistent and effective.

i) Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, charges, penalties and/or criminal prosecutions.

j) Incentives and disincentives may be used in collection procedures.

k) The collection process must be cost-effective.

l) Results will be regularly and efficiently reported and monitored.

m) Consumers that meet council's indigent criteria must be identified and supported.

## 5. PERFORMANCE EVALUATION

This is addressed in the SDBIP and the Municipal Performance Management System.

## 6. SETTLEMENT DISCOUNTS

The municipality may offer the following discounts to its account holders only when settling the account in full:

### 6.1. Residential Accounts (RATES ONLY)

6.1.1. 10% settlement discount within 30 days of receiving account i.e. by end of September
6.1.2. 5% settlement discount within 60 days, of receiving the account, i.e. October
6.1.3. 2.5% settlement discount within 60 days of receiving the account, i.e. by November

### 6.2. BUSINESS ACCOUNTS RATES ONLY)

6.2.1. 5% settlement discount within 30 days of receiving account i.e. by end of September
6.2.2. 2.5% settlement discount within 60 days, of receiving the account, i.e. October
6.2.3. 0.5 % settlement discount within 60 days of receiving the account, i.e. by November

### 6.3. DISCOUNT FOR SENIOR CITIZENS (SERVICES ONLY)

6.3.1 A 10% monthly discount will be offered to senior citizens from the age of 60 years that are not registered as indigents and are not working and this also applies to community members above 50 years that are receiving medically unfit pension.

### 6.4. GOVERNMENT

**– No discounts will be offered to government accounts**

### 6.5. DISCOUNTS ON SERVICE CHARGES (TRADING SERVICES)

No discounts will be offered on any service charges accounts due.

## 7. RESPONSIBLE AUTHORITY

7.1 The Council is responsible and should review the performance of the Municipality to endeavour to improve the efficiency of the credit control and debt collection services.

7.2 The delegated officials to assist the Council accomplish its responsibilities are the Municipal Manager, Financial Manager (CFO) and officials appointed in the Debt Collection Section.

7.3 Municipal Manager

a) It is the responsibility of the Municipal Manager to report quarterly to the full Council on the status of debtors and action taken against them. Further more, the Municipal Manager must ensure that obligations under its by-laws and decisions by the Council are enforced by the Municipality Administration.

b) The Chief Financial Officer (Director: Finance) shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to

report to the Executive Mayor, as supervisory authority in terms of section 99 of the Act, read with section 100(c). This report shall contain particulars on:

(i) Cash collection statistics, showing high-level debt recovery information (number of consumers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.
(ii) Performance on all areas against targets agreed to in paragraph 5 of this policy document.

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

d) The Mayor, as supervisory authority, shall report at intervals of 3 months to Council as contemplated in section 99(c) of the Act.

7.4 Ward Committees

The communication channel between Council and the public and Ward Committees should on a very regular basis be informed where the level of indebtedness exceeds the levels prescribed by the Council and who then also should make recommendations for improvement to Council.

7.5 Obligation to measure

The Council should ensure that every Municipal service provided to a consumer could either be metered or estimated or allocated at regular intervals, and establish a charge or tariff for those services. **Estimates could be done up to a period of three months.**

a) The Municipality will endeavor, within practical and financial limits, to provide meters to every paying consumer for all measurable services.

b) All meters will be read monthly, as far as possible. If the meter is not read monthly, the consumption will be estimated in terms of Council's operational procedures which could be done up to a period of three months.

c) If any meter is not accessible for meter reading, the consumer must move the meters out to the borderline or convert the electricity meter to a pre-paid meter.

d) Consumers must:

I. safeguard and maintain service meters in a readable condition;
II. notify the Municipality when services are no longer required at a particular service delivery point;
III. maintain credit and pre-payment meters; and
IV. supply the Municipality with accurate information with regard to the supply of services or applications for indigent cases.

e) Consumers are entitled to request verification of meter readings at the prescribed tariff.

f) Consumers are entitled to request testing of meters for accuracy within reason, at the prescribed tariff. If the test reveals the meter to register outside the norm as prescribed for the service in question (Electricity or Water), the charges paid will be refunded, the meter will be replaced and the consumer's account will be adjusted accordingly, subject to a maximum period of 3 months from month of written request for testing of meter.

g) Consumers will be informed of meter replacement.

h) If a service is metered but it cannot be read due to financial and/or human resource constraints or circumstances beyond the control of the Municipality or its authorised agent, and the consumer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and will in result credit or debit adjustments.

i) The Municipality will apply debt collection factors available on the prepayment electricity system, to ensure collection of all arrear debt on the account of the consumer.

## 8. Agreement

(a) Before supplying of a service, a consumer must enter into a contract of agreement, which should provide for the deposit to be paid as security. Not withstanding the above. All debtors of any kind are obliged to honour their debts. The deposit is established in terms of the reviewed tariff structures for compiling the budget on a year-to-year basis.

(b) A service agreement shall henceforth be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services:

- ✓ Electricity
- ✓ Water
- ✓ Refuse collection

✓ Sewerage.

(c) Such agreement shall set out the conditions on which services are provided and shall require the signatory to note the contents of the municipality's credit control and debt collection policy, a copy of which shall be provided to such signatory, as well as the provision of the Municipal Systems Act in regard to the municipality's right of access to property.

(d) Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property shall be attached to the service agreement.

(e) Current consumers and users of the municipality's services who have not entered in a service agreement as envisaged above, must do so within six months from the date on which the by-laws to implement the present policy are published, and failure to do so shall be considered as a default equivalent to non-payment.

(f) SERVICE PROVIDERS OF THE MUNICIPALITY SHOULD APPLY OUR CREDIT CONTROL AND DEBT COLLECTION POLICY.

9. Control over deposits of security

(a) Deposits for services and sundry (rental contracts) received must be reviewed annually and a register should be maintained. The total sum of deposits received shall constitute a short-term liability in the books of the Municipality.

(b) No interest shall accrue in favour of the depositors thereof.

(c) Upon termination of the debtor's agreement with the Municipality, the deposit shall/will first be offset against any outstanding balance (if any) to be refunded to the consumer, sundry debtor deposits inclusive.

10. Rendering of accounts

(a) Accounts are delivered monthly. It is the customer's responsibility to enquire from the Municipality should an account not be received in order to ensure timely payment and to obtain a duplicate account when the account is not delivered during the normal billing cycle..

(b) Although Municipalities must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount.

11. Accounts must reveal the following:

(i) Details of the consumption for a certain period of each service either by measuring, estimating or allocation.

(ii) The amount due in terms of consumption.

(iii) The amount due for each remaining service.

(iv) Other amounts due.

(v) The amount due for property tax.

(c) It is the consumer's responsibility to ensure that the postal address and other contact details are correct. Consumers may also request their accounts to be sent by e-mail.

(d) If the account is disputed, an average payment on the disputed consumer accounts should be made using the previous 3 months undisputed accounts, until the matter is resolved.

## 12. Final date of payment

i. Consumer Services Accounts

- The invoice/account must state the final date of payment, which must not be later than the 15th of the following month after date of the invoice.

ii. Assessment Rates Accounts

- The invoice/account must state the final date of payment no later than the 15th of the following month after date of the invoice.
- Rates will be levied in 12 equal monthly instalments

## 13. CONSOLIDATION OF ACCOUNT AND ALLOCATION OF PAYMENT

13.1 The Municipality may–

a. Consolidate any separate accounts of a consumer liable for payments to the Municipality;

b. Credit a payment by such a consumer against ANY accounts of that person; and

c. Implement any of the debt collection and credit control measures provided for in this policy and the By-law in relation to any arrears on any of the accounts of such a consumer.

13.2 Any amounts paid will be appropriated to the oldest debt first.

13.3 Any amount paid by the Consumer in excess of an existing debt may be held in credit for the Consumer in anticipation of future rates and fees for Municipal services, and no interest will be payable on that amount.

13.4 The Municipality's allocation of payment is not negotiable and the Consumer may not choose which account to pay.

## 14. PURPOSE OF CREDIT CONTROL POLICY

### 14.1. General

(a) To ensure that all money due and payable to Ga-segonyana Local Municipality in respect of rates, fees for services, surcharges on such fees, tariffs, charges, interest accrued on any amounts due and payable in respect of foregoing and any collection charges are collected efficiently and promptly.

(b) Provide for the setting of realistic targets consistent with generally recognised practices and collection ratios and also the estimates of income set in the annual budget of Ga-Segonyana less an acceptable provision for Bad Debts.

(c) Provide for the termination of services or for restrictions on the provision of services when payments are overdue.

(d) Provide for matters relating to the unauthorised consumption of services, theft and damages.

(e) Provide for credit control and debt collection procedures and mechanisms.
(f) Provide for any collection charges on the payment of overdue accounts.
(g) Provide for the extension of time for payment on overdue amounts.
(h) Provide for interest on overdue accounts.

### 14.2. Credit control Procedures

(a) The purpose is to ensure that credit control forms an integral part of the financial system of the Municipality, and ensure that the same procedure be followed for each individual case.

## 15 Reminder/Demand for payment

(a) A notice that the account has not been paid on the due date will be printed on the account every month and mailed to the debtor's address.

(b) This reminder clearly states that failure to pay this account in full on or before the due date as shown on the account renders you liable to disconnection without further notice.

(c) In those instances where prepayment meters for service vending are installed, the municipality may block/restrict the vending of services to consumers of services on properties where arrears are owed for other municipal services or levies.

## 16 Action after failure to pay

(a) If a debtor fails by the demand date –

(i) to pay the arrears amount

(ii) to lodge an appeal (query the amount of the account)

(iii) to conclude an agreement with the Municipality for payment of the arrears in instalments.

(b) the Municipality **will** without further notice –

1. Immediately disconnect, discontinue or restrict the supply of electricity to the debtor for both services and property rates accounts.
2. Institute legal action for the recovery of the arrears amount within a period not exceeding thirty days from the demand date.
3. The debtor will be liable for all costs incurred in respect of the legal action taken against him/her including the commission charged by the debt collector.

## 17 Right of access

a) The owner and/or occupier of a property is to allow an authorised representative of the Municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect the provision of any service.

b) The owner is responsible to ensure that all meters installed on his/her property are easily accessible.

c) The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

d) If a person fails to comply with the municipality or its authorised representative, the municipality may:

- By written notification require such a person to restore access at his/her own expense within a specified period.
- If it is the option that the situation is a matter of urgency, without prior notice, restore access and recover the cost from such a person.

e) If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the account holder or owner of the property concerned, the municipal manager shall estimate the consumption of the service concerned through the assistance of CFO by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the account holder for the monetary value of such estimated consumption.

## 18 Right of appeal

(a) An appeal must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount, and must contain details of the specific item(s) on the account which are the subject of appeal, with full reasons.

(b) Disputes lodged with the municipality prior to the implementation of this policy, in terms of any previous policy, shall continue to be dealt with in terms of that policy.

## 19 Payment during appeal

(a) Once an appeal is lodged, the debtor's obligation to pay the average as determined in point 10.1(c) will apply until the appeal has been finalised.

(b) The debtor must however immediately pay the balance of the account together with an amount representing the average cost of the item appealed against over the preceding three months, until such time that the matter is resolved.

(c) In the meantime, the debtor will remain due and liable for all other full amounts falling due during the adjudication of the appeal.

## 20 Adjudication of appeal

(a) If the appeal is in respect of a metered consumption, the metered instrument must be tested, within 14 days of lodgement of appeal to establish the accuracy thereof.

(b) The debtor should be informed in writing of the results of the test of the instrument, and of any adjustment to the amount due by him, together with the costs of the test for which the debtor will be liable if no error could be found with the instrument. If a faulty meter or instrument is revealed, the Municipality will bear the costs thereof except in a case where there is evidence of physical

tampering

## 21 Contractors who tender to the Municipality

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

(i) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Municipality a certificate stating that all relevant municipal accounts owed by the Service Provider and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.

(ii) No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears has been made. No further debt may accrue during contract period.

(iii) Tender Conditions will include a condition allowing the Municipality to deduct any moneys owing to the Municipality from contract payments.

(iv) A Service Provider will be required to declare all the municipal account numbers for which it is responsible and/or partially responsible.

## 22 Extension for payment

22.1.1.1 Consumer services and other debtors

- The CFO/Delegated official may/can arrange that the debtor pay the outstanding amount in equal monthly instalments over a period not exceeding 24 months.
- Payment arrangements for Business and other accounts may not exceed a period of 12 months.

22.1.1.2 Interest must be charged on the arrears debt mentioned in 7.10.1 and 7.10.2 at a rate of 1% above prime rate per year.

22.1.1.3 No other payment extensions may be granted other than as stipulated in set out in 20.1.1.1 above.

22.1.1.4 <u>Continuous default</u>

- If a debtor fails to comply with the terms of any agreement providing for an extension of time for payment, then the total of all amount due including interest and costs, shall immediately become payable without further notice

to the debtor.

22.1.1.5 Extended repayment periods – Consumer accounts

(a) If the overdue balance is outstanding for less than 6 months, a minimum down payment of 25% is required and the balance to be paid over a period not exceeding 6 months.

(b) If the overdue amount is outstanding for longer than 7 months, a minimum of 50% down payment must be made and repayment period not to exceed 12 months.

(c) The debtor should request such arrangement and shall agree to the conditions attached thereto.

(d) If the conditions as agreed are not adhered to, normal credit control procedures will be implemented.

(e) When a debtor applies for further extension/arrangement, services will be discontinued until final payment is received.

(f) All future current accounts **must** be paid on due date.

(g) Accounts of councillors and employees may be deducted from their salaries/allowances on a monthly basis.

(h) Staff arrears will be dealt with in accordance with Schedule 2(10) of Local Government: Municipal Systems Act 32 of 2000 and in terms of any procedures, method or actions referred to in this Policy. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such staff members' salary after this 3 (three) month period.

(i) In accordance with Schedule 1(12A) of the Local Government: Municipal Systems Act 32 of 2000, a Councillor of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than 3 months. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such Councillors' remuneration after this 3 (three) month period.

## 23. COMMENCEMENT AND TERMINATION OF SERVICES

### 23.1.1 New service connections

a) Application for new connections can only be made by property owners or

with their written consent, accompanied by positive identification.

b) In cases where there is an existing connection the account holder of services must first terminate his/her service to allow for the new service connection.

c) No electricity will be connected if there are outstanding debts regarding services on the specific stand that the previous tenant was residing. The landlord/owner shall be held responsible for all outstanding services accounts.

d) In the case of deceased parents that left an outstanding amount, the account will be changed to the beneficiaries' names, if they are indigent, they will qualify for indigent services. If after thorough investigations it is concluded that the parents did not leave any money or assets in order to recover the outstanding amount the debt will be submitted to council for write off.

e) Connections and supply of a new service may only be made after all charges in respect of deposits and connection fees have been paid.

f) No services will be rendered to the new occupant if the outstanding debt of the old occupant is not paid in full.

g) When a property is sold or transferred, the municipality will automatically open a new service account in the name of the new owner.

h) No payout will be made on active credit balances account.

23.1.2 <u>Termination of services</u>

a) Consumers must give notice of at least 5 working days to the Municipality should a final reading or discontinuation of service be required. When a consumer vacates a property and a final reading of the meter is not possible due to no access, an estimated consumption will be used by the Municipality and the final account rendered accordingly.

b) Once the account is terminated, the account must thereafter be linked (where applicable) to the owner's rates account.

c) Unless otherwise directed by an order of court, the Municipality will not terminate or disconnect water and or electricity supply, at the request of a Landlord or owner, where there are occupiers on the property or premises and the Landlord or the owner is not a Customer in respect of such supply.

d) The Municipality may exercise its common-law right where a tenant on a

property is in breach of his or her contract with the Municipality and link the debt to the owners' account. The tenant shall forfeit his or her deposit to the owner where the outstanding debt is paid by the owner.

23.1.3 Unauthorised consumption, theft, damages and penalties

When established that a water or electricity meter has been tampered with by a transgressor (a consumer), the following actions are applicable:

(a) A penalty fee payment for households, businesses and industrial site.

(b) The replacement of a conventional meter with a pre-paid meter, the cost of the connection for the account of the transgressor/consumer.

(c) The payment of an additional levy in respect of calculated average consumption since the date of deviation in consumption occurred on the account of the property involved.

## 24. INTERRUPTION OF SERVICES

a) Customers who are in arrears with their municipal accounts and who have not made arrangements with the Municipality will have their supply of electricity, water and other Municipal services, suspended, restricted or disconnected. Water, however, will not be disconnected entirely but may be restricted to no less than 6 kiloliter per household per month.

b) The disconnection or restriction of services may be invoked should the account remain in arrears after the expiration of the 14 (fourteen) days' notice of restriction of services as mentioned in section 14(b)(1).

c) Council reserves the right to deny or restrict the sale of electricity or water to customers who are in arrears with their rates or other municipal charges, or who do not honour their arrangements.

d) Upon the liquidation of arrears, including the additional levies in terms of clauses (e) and (f), or the conclusion of acceptable arrangements for term payments, the services will be reconnected as soon as conveniently possible.

e) The cost of notice of restriction or disconnection and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.

f) The deposit of any defaulter may be adjusted and brought into line with relevant policies of Council.

## 25. PROCEDURE OF FINAL RESORT

The following will facilitate this concept:

25.1 Consumer Services

(a) Services will be disconnected without any further notice.

(b) Services may not be resumed before arrangements have been made for payment of an additional deposit, interest on arrears, arrears outstanding and reconnection fee as stipulated in the notice.

(c) A report must be submitted by the person involved with the discontinuation of services in respect of unoccupied premises to try and locate such owners/users before the case is referred to the attorneys.

(d) The deposit on services of an unoccupied dwelling must be brought into account before any arrears amount are handed over to the Debt Collection Section for collection with the provision that the debtor/person stay at a known address.

(e) If a conventional water and/or electricity consumer fails to pay their account on the prescribed due date, the conventional meter(s) will be replaced with a pre-paid meter at the cost of the consumer concerned. The criteria are the following:

(i) The name of the consumer of water and/or electricity appeared twice on a cut-off list.

(ii) The consumer of water and/or electricity being thrice in default of payment.

(iii) The consumer of water and/or electricity failed to comply with arrangements made to pay arrears amounts for whatever reason.

(iv) The consumer of water and/or electricity used self righteousness to re-install water and/or electricity supplies to his premises after the supply has been disconnected by the Municipality for whatever reason.

(f) Where consumer services have been disconnected for whatever reason in terms of the Council's policy, the Municipality is obliged to install a drip valve at the consumer concerned until all outstanding debt is paid in full.

## 26. Write-off of Irrecoverable Debts: Conditions

(a) Where the debtor is untraceable.
(b) Insolvency of debtor.
(c) Where a contribution obligation may exist on sequestration of a business or individual.
(d) The debtor has no movable or immovable property at his disposal.
(e) The cost of collection exceeds the debt.
(f) Where the account holder is deceased and beneficiaries are indigents.

## 27. Bad Debt Recovered

The municipality can still recover written off debt when the person is traceable.

## 28. Deceased Estates

a) The Executor or representative of a Deceased Estate shall be liable for payment of all debts on the property.

b) Failure to inform the Municipality that the property forms part of a deceased estate will result in the disconnection of services, until an executor or representative has been appointed.

c) Where a deceased estate is insolvent (liabilities exceed all assets) and a property is sold by the executor pursuant to Section 34 of the Administration of Deceased Estates Act, 1965 (Act 66 of 1965), the Municipality enjoys preferent creditor status in terms of Section 118 (1) of the Systems Act. Accordingly, no clearance certificate will be issued until all amounts have been paid.

d) The Municipality may conclude a Credit Authority with any person who wishes to settle a deceased person's debt or a portion thereof. This provision is intended to assist family members of a deceased person or an occupier of property that is vested in a deceased estate, to receive Municipal services pending the winding up of an estate.

## 29. Clearance Certificates

Before any property can be transferred from one owner to another, all arrears are payable before the Chief Financial Officer issues a certificate to that effect. No transfer can take place without such a certificate.

## 30. Prescribed Debt

As per prescription act 68 - 1969 the period of prescription of debts shall be three years in respect of any other debt (Service Charges). The Municipality will therefore only go back three year for any corrections that needs to be done on a consumer's account either debit or credit note.

## 31. DEBT COLLECTION

### 30.1 Procedures for the collection of outstanding debt on all debtors

(a) Dispatch of accounts and payment thereof by the debtor within the prescribed time indicated on the account.

(b) In the event that no payment of the account the Manager Revenue and Debt Collection will automatically hand over to the appointed debt collectors ALL accounts in arrears for 90 days and above, without informing the account holder, as accounts are remitted to holders monthly, further reference be made to the Municipal Property Rates Act of 2004 s 27(2) it states that: *A person is liable for payment of a rate whether or not that person has received a written account in terms of subsection (1). If a person has not received a written account, that person must make the necessary inquiries from the municipality.*

## 32. Shortages by cashiers

(a) Any shortages by cashiers must be paid immediately or the following day and if not, the municipality will recover from their salaries. The municipality reserves the right to do investigations and take disciplinary action.

## 33. Building Plans deposit

(a) Any outstanding arrears of the owner for services, sundry and rates accounts will be deducted first before the building plan deposit is released.

## 34. Impairment of Trade Receivables (See the attached addendum dealing with impairment calculations)

(a) The impairment for trade receivables and loans and receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be

impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

35. Debtors are graded on the following basis:

Debtors will be impaired according to the debt impairment policy

36. ROLE OF MUNICIPAL MANAGER

a) Section 100 of the Municipal Systems Act 2000 clearly assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the municipal manager.

b) In practice, however, the municipal manager will inevitably delegate some or many of the responsibilities specifically assigned to this office in the policy, as it will be administratively impossible for the municipal manager to perform the numerous other functions of this policy as well as attend to frequently recurring administrative responsibilities.

c) However, such delegation does not absolve the municipal manager from final accountability in this regard, and the municipal manager will therefore have to ensure that a proper internal reporting structure is established and consistently implemented so that the day-to-day actions of and results from the credit control and debt collection programme are properly monitored and supervised.

d) It is also an integral feature of the present policy that the municipal manager shall report monthly to the executive mayor or the executive committee, as the case may be, and quarterly to the council on the actions taken in terms of the by-laws, and on the payment levels for the periods concerned. Such reports shall, as soon as practicably possible, provide the required information both in aggregate and by municipal ward.

e) In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by councillors who could reasonably be interpreted as constituting interference in the application of the by-laws.

f) Notwithstanding all the foregoing references to the accountability of the municipal manager in regard to the by-laws, it is incumbent on all the officials of the municipality, certainly all those who are at management level, as well as more junior officials who are directly or indirectly involved with the community and the municipality's general consumer relations, to promote and support both this credit control and debt collection policy and the application of the attendant by-laws.

g) The responsibilities of all officials include reporting to the municipal manager any evident breaches of these policy and by-laws, whether by members of the community, other officials or councillors of the municipality.

## 37. ROLE OF COUNCILLORS

a) Section 99 of the Systems Act 2000 places the important legal responsibility on the executive committee of monitoring and supervising the application of the present policy and the attendant by-laws, and of reporting to the council on the extent and success of credit control actions.

b) The present policy further recommends that the municipality's ward committees be actively involved in implementing the credit control and debt collection programme, and should therefore receive monthly reports on the status of the municipal manager's credit control actions.

c) The ward committees must also actively promote the present policy, and ensure at the same time that the municipality's consumer relations are of a standard acceptable to the community.

d) In order to maintain the credibility of the municipality in the implementation of the present policy and the attendant by-laws, it is essential that councillors should lead by example. Councillors, by adopting this policy, therefore pledge, not only their unqualified support for the policy, but their commitment to ensuring that their own accounts will at no stage fall into arrears.

## 38. DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

a) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

b) To pay services fees, rates on property and other taxes, levies and duties imposed by the municipality on or before the due date.

c) To observe the mechanism and processes of the municipality in exercising their rights.

d) To allow municipal officials reasonable access to their property to execute municipal functions.

e) To comply with the by-laws and other legislation of the municipality.

f) To refrain from tampering with municipal services and property.

## 39. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on 1 July 2022 and will be reviewed at least annually or when required by way of a Council resolution.

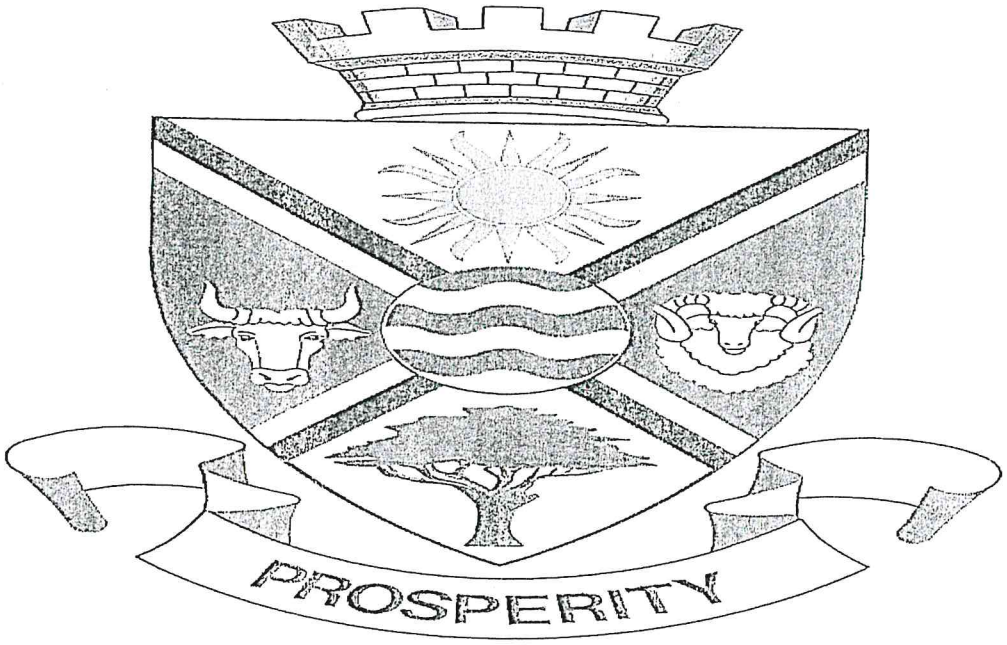
## 40. SHORT TITLE

This Policy shall be called the **Credit Control and Debt Collection Policy of the Ga-Segonyana Local Municipality**.

# ANNEXURE D

# 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 does not necessarily make specific property rates tariff proposals. Details pertaining to the applications of the various property rates tariffs are annually published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

## 5. APPLICATION OF THE POLICY

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

## 6. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES

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

(a) Trading services
   i. Water
   ii. Electricity

(b) Economic services
   i. Refuse removal.
   ii. Sewerage disposal.

(c) Community and subsidised services

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

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

## 7. CATEGORIES OF PROPERTY

7.1 Subject to section 19 of the Act, a municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, determined in subsection (7.2) and (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.

(d) Owners of residential properties with a market value below the amount as determined annually by the municipality in its budget;

(e) Owners of properties situated in "privately owned towns" as referred to in clause 13.1 (b);

(f) Owners of agricultural properties as referred to in clause 13.1 (c); and

(g) Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

## 9. PROPERTIES USED FOR MULTIPLE PURPOSES

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

## 10. DIFFERENTIAL RATING

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

(a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.

(b) The promotion of local, social and economic development of the municipality.

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

(a) setting different cent amount in the rand for each property category; and

(b) by way of reductions and rebates as provided for in this policy document.

## 11. EXEMPTIONS AND IMPERMISSIBLE RATES

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

(a) Municipal properties

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

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2021/22 financial year the maximum reduction is determined as R25 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R10 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty. A further R46 802.00 will be exempted for Bankhara-Bodulong residential properties. The total reduction for Bankhara-Bodulong residential properties will be R56 802.00 for the 2021/22 financial year.

(c) Public Service Infrastructure

Public Service Infrastructure will be billed at rates determined by the municipality from time to time. The rates levies under the Public Service Infrastructure will be phased in over the period of three financial years. In terms of section 21 subsection 2 the phasing-in discount on a property must

(i) in the first year, be at least 75 per cent of the rate for that year otherwise applicable to the property;

(ii) in the second year, be at least 50 per cent of the rate for that year otherwise applicable to the property; and

(iii) in the third, be at least 25 percent of the rate for that year otherwise applicable to the property.

(d) Right registered against a property

Any right registered against a property as defined in clause 2.15(b) of this policy is exempted from paying rates.

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

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

(a) On the first 30% of the market value of public service infrastructure;

- on any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of 'public service infrastructure

(b) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003) or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes.

(c) **on a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses—**

**(i) ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds; or**

**(ii) upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse**

(d) **On a property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community which is occupied by the office bearer of that community who officiates at services at that place of worship.**

11.4 Public Benefit Organisations (PBO's)

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

those activities, Public Benefit Organizations may apply for the exemption of property rates. Public Benefit Organizations may include, inter alia:-

(a) *Welfare and humanitarian*

For example PBOs providing disaster relief.

(b) *Health Care*

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

(c) *Education and development*

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

(d) *Sporting bodies*

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

(e) *Cultural institutions*

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

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

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

(g) *Animal welfare*

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

(h) *Cemeteries and crematoriums*

Property used for cemeteries and crematoriums.

(i) *Welfare institutions*

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

(j) *Charitable institutions*

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

11.5 All possible benefiting organisations in clause 11.4 must apply annually for exemptions. All applications must be addressed in writing to the municipality by 30 June for the next financial year in respect of which the rate is levied. If the exemption applied for is granted the exemption will apply for the full financial year.

11.6 Public benefit organisations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.

11.7 The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

11.8 The extent of the exemptions implemented in terms of clauses 11.1 to 11.4 must annually be determined by the municipality and included in the annual budget.

## 12. REDUCTIONS

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

12.1.1 Partial or total destruction of a property.

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

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

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

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

12.2.3 A maximum reduction to be determined on an annual basis shall be allowed in respect of both clauses 12.1.1 and 12.1.2. For the 2018/2019 financial year the maximum reduction is determined as 80%.

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

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

## 13. REBATES

### 13.1. Categories of property

(a) Business, commercial and industrial properties

i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:-

a. job creation in the municipal area;

b. social upliftment of the local community; and

c. creation of infrastructure for the benefit of the community.

ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-

a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;

b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and

c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies.

iii. All applications must be addressed in writing to the municipality by 30 June for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year.

(b) Privately owned towns serviced by the owner

The municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in clause 2.13 of this policy. All applications must be addressed in writing to the municipality by 30 June for the next financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2021/22 financial year the rebate is determined as 20%.

(c) Agricultural property rebate

i. When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the municipality must take into account:-

a. the extent of rates related services rendered by the municipality in respect of such properties.

b. the contribution of agriculture to the local economy.

c. the extent to which agriculture assists in meeting the service delivery and developmental objectives of the municipality; and

d. the contribution of agriculture to the social and economic welfare of farm workers.

ii. In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% rebate on the tariff for residential properties). For the 2020/21 financial year the minister has promulgated a ratio of 1:0.25.

iii. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 11.1(b) of this policy.

13.2 **Categories of owners**

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

(a) Indigent owners

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

(b) Child headed families

i. Families headed by children will receive a 100% rebate for paying property tax, according to monthly household income. To qualify for this rebate the head of the family must:-
   a. occupy the property as his/her normal residence;
   b. not be older than 18 years of age;
   c. still be a scholar or jobless; and
   d. be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality. For the 2021/22 financial year this amount is determined as R4 120 per month.

ii. The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

(c) Retired and Disabled Persons Rate Rebate

i. Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:-
   a. occupy the property as his/her normal residence;
   b. be at least 60 years of age or in receipt of a disability pension from the Department of Social Development.
   c. be in receipt of a total monthly income from all sources as annually determined by the municipality (including income of spouses of owner);
   d. not be the owner of more than one property; and
   e. provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.

ii. Property owners must apply on a prescribed application form for a rebate as determined by the municipality. Applications must be accompanied by-
   a. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
   b. sufficient proof of income of the owner and his/her spouse;
   c. an affidavit from the South African Police Service;

d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and

e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.

iii. All applications must be addressed in writing to the municipality by 30 June for the next financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. **For the 2022/23 financial year the total yearly income and corresponding rebate is determined as follows:-**

a. **R0 to R80 000 per year - 40%.**

b. **R80 001 to R100 000 per year - 20%.**

**Pensioners may qualify for a rebate of 100% upon successful application.**

iv. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

13.3 The extent of the rebates granted in terms of clauses 13.1 and 13.2 must annually be determined by the municipality and included in the annual budget.

## 14. PAYMENT OF RATES

14.1 The rates levied on the properties shall be payable:-

(a) on a monthly basis; or

(b) annually, before 30 September each year.

14.2 Ratepayers may choose paying rates annually in one instalment on or before **30 September** each year or monthly consecutive payments to be settled by 30 June. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee in writing not later than 30 June in any financial year, or such later date in such financial year as may be determined by the municipality that he/she wishes to pay all rates annually, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him/her in a similar manner.

14.3 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/ tenant/ occupants/ agent.

14.4 Interest on arrears rates, whether payable on or before **30 September** or in equal monthly instalments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality.

14.5 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control and Debt Collection By-law of the Municipality.

14.6 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

14.7 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.

14.8 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

## 15. ACCOUNTS TO BE FURNISHED

15.1 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:-

(i) the amount due for rates payable,
(ii) the date on or before which the amount is payable,
(iii) how the amount was calculated,
(iv) the market value of the property, and
(v) rebates, exemptions, reductions or phasing-in, if applicable.

15.2 A person liable for a rate must furnish the municipality with an address where correspondence can be directed to.

15.3 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.

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

## 16. PHASING IN OF RATES

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

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

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

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

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

## 17. SPECIAL RATING AREAS

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

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

17.2.1 Proposed boundaries of the special rating area;

17.2.2 Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;

17.2.3 Proposed improvements clearly indicating the estimated costs of each individual improvement;

17.2.4 Proposed financing of the improvements or projects;

17.2.5 Priority of projects if more than one;

17.2.6 Social economic factors of the relevant community;

17.2.7 Different categories of property;

17.2.8 The amount of the proposed special rating;

17.2.9 Details regarding the implementation of the special rating;

17.2.10 The additional income that will be generated by means of this special rating.

17.3 A committee consisting of 6 members of the community residing within the area affected will be established to advise and consult the municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.

17.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Municipal Manager. A majority shall be regarded as 50% plus one of the households affected. Each relevant household within the special rating area, i.e. every receiver of a monthly municipal account, will have 1 vote only.

17.5 In determining the special additional rates the municipality shall differentiate between different categories as referred to in clause 7 of this policy.

17.6 The additional rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.

17.7 The municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

## 18. FREQUENCY OF VALUATION

18.1 The municipality shall prepare a new valuation roll at least every 5 (five) years.

18.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 7 (seven) years.

18.3 Supplementary valuations may be done on a continual basis but at least on an annual basis.

## 19. BUILDING PLANS

Before any building plan can be approved, the Technical Department should check with the Finance Department if the recipient of the building plan has any account with the municipality and if they are up to date. Should the accounts not be up to date the building plan cannot be

approved until such a date that all the accounts are paid up.

## 20. CLEARANCE FIGURES FOR SALE OF PROPERTY

When a property is sold the municipality must ensure that when it issues clearance figures it should include all the outstanding amounts of all the other properties registered under the seller. This should only be done when a property is up for sale and not include cases of divorces and inheritance.

## 21. COMMUNITY PARTICIPATION

21.1 Before the municipality adopts the rates policy, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:-

21.1.1 Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities.

21.1.2 Conspicuously display the draft rates policy for a period of at least 30 days (municipality to include period decided on) at the municipality's head and satellite offices, libraries and on the website.

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

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

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

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

## 22. REGISTER OF PROPERTIES

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

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

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

i. Exemption from rates in terms of section 15 of the Property Rates Act,

ii. Rebate or reduction in terms of section 15,

iii. Phasing-in of rates in terms of section 21, and

iv. Exclusions as referred to in section 17.

22.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.

22.5 The municipality will update Part A of the register during the supplementary valuation process.

22.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

## 23. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY

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

## 24. REGULAR REVIEW PROCESSES

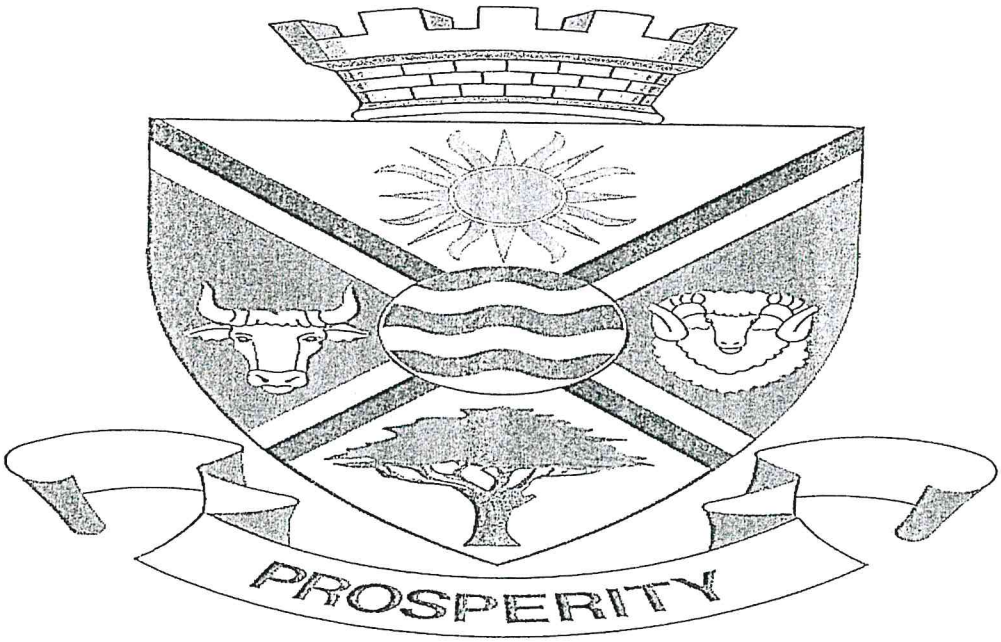
24.1 The rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and recent legislation.

## 25. ENFORCEMENT/IMPLEMENTATION AND ENQUIRIES

25.1 This policy has been approved by the Municipality in terms of Council resolution no ... dated ..... and takes effect on **1 July 2022.**

# ANNEXURE E

# GA-SEGONYANYA
# LOCAL MUNICIPALITY




# BUDGET AND
# VIREMENTS POLICY

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## 1. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year.

According to subsection (2) of the Act concerned, in order to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals.

## 2. OBJECTIVES

The objective of this policy is to set out:

- The responsibilities of Council, the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to the IDP review and budget processes.
- This policy seeks to build a regulatory framework and guidance around adjustment of the municipality's budgets (Operating or Capital Budget).
- This policy shall be read in the context of the provisions of the following acts, regulations and administrative guidelines;
  - MFMA Circulars
  - MFMA 56 of 2003
  - Municipal Budget and Reporting Regulations, Government Gazette no. 32141 dated 17 April 2009

## 3. BUDGETING PRINCIPLES

The municipality shall not budget for a cashflow deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels unless motivated by the implementation of a certain policy or legislative requirement.

Expenses may only be incurred in terms of the approved annual budget (or adjustment budget) and within the limits of the amounts appropriated for each vote/segment in the approved budget.
Ga-Segonyana Local Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.

Directorates must always ensure that their budgets are structured in a manner that achieves the most appropriate alignment with the Integrated Development Plan (IDP) and procurement plans so as to avoid unnecessary adjustment of the budget.

The Policy is designed to enable Directorates to utilize efficiency savings derived in the implementation of some project to defray excess expenditure elsewhere within the Directorates.

## 4. BUDGET PREPARATION PROCESS

### 4.1 FORMULATION OF THE BUDGET

The Accounting Officer with the assistance of the Chief Financial Officer and the IDP Manager shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

The Executive Mayor shall table the IDP process plan as well as the Budget Timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).

IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

a) The Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and service delivery pressures facing the municipality.

b) The Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies.

c) The Chief Financial Officer, BTO, Manager Budget, Financial Managers and Senior Managers undertake the *technical compilation* of the budget.

d) The budget must be in the prescribed format, and must be divided into capital and operating budget.

e) The budget must reflect the realistically expected revenues by source for the budget year concerned.

f) The expenses reflected in the budget must be divided into line items.

g) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

**The budget must be accompanied by the following documents:**

a) Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial concerned

b) Draft resolutions (where applicable) amending the IDP and the budget related policies

c) Measurable performance objectives for each budget vote taking into account municipality's IDP

d) The projected cash flows for the financial year by revenue source and expenditure votes broken down per month

e) The cost to the municipality for the budget year of the salaries, allowances and other benefits

## 4.2 QUALITY CERTIFICATE

Whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, is must be accompanied by a quality certificate signed by the municipal manager.

## 4.3 CONSISTENCY IN BASES OF MEASUREMENT AND ACCOUNTING POLICIES

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

a) the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the preparation of the municipality's annual budget and supporting documentation, its adjustments budgets and supporting documentation, and its in-year reports; and

b) any differences or changes between financial years are explicitly noted.

## 4.4 BUDGET RELATED POLICIES OF THE MUNICIPALITY

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

## 4.5 ANNUAL BUDGETS OF THE MUNICIPALITY

**Format of annual budgets**

The annual 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.

## 5. FUNDING OF EXPENDITURE

1) The funding of an annual budget must be consistent with the trends, current and past, of actual funding collected or received.

2) Realistically anticipated revenues to be received from national or provincial government, national or provincial public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds. Acceptable documentation is constituted by –

a) in case of allocations or transfers from national or provincial government, the latest available –

(i) gazetted allocations or transfers to the municipality following the approval of the current year's Division of Revenue Act, national annual budget, national adjustments budget, relevant provincial annual budget or provincial adjustments budget;

(ii) proposed allocations or transfers to the municipality contained in the tabled national and provincial budgets as detailed in accordance with section 36(2) of the Act;

(iii) written notifications from the relevant treasury of proposed allocations or transfers subsequent to the previous year's national and provincial approved annual budgets and latest adjustment budgets, but prior to the current year's budgets being tabled; or

(iv) the previous years' allocations or transfers in the national and provincial annual budgets and adjustments budgets as gazetted;

b) in the case of transfers from other municipalities, the latest available –
(i) transfers in the approved annual budget or any subsequent approved adjustments budget of the transferring municipality;

(ii) proposed transfers contained in the tabled annual budget of the relevant transferring municipality;

(iii) written notification of proposed transfers from transferring municipalities communicated to the municipality in terms of section 37(2) of the Act; or

(iv) the previous year's transfers in the approved annual budget or any adjustments budget of the transferring municipality; and

c) in case of agency payments, public contributions, donations, donor grants or any other grants, subsidies or contributions, the relevant service level agreement, contract or other legally binding document which guarantees the funding.

3) Estimated provision for revenue from rates, taxes, levies or other charges that will not be collected must be budgeted for separately and reflected on the expenditure side of the municipality's annual budget and not netted out from budgeted revenue.

4) The cash flow budget must reflect all funds realistically forecast to be collected, including arrears.

5) The municipal manager in signing the quality certificate certifies that all ratepayers and consumers are accounted for in the annual budget calculations and that billing systems including property records and metering information are up to date and consistent with the revenue projections in the annual budget.

6) To determine whether an annual budget is funded in accordance with section 18 of the Act, a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budgets together with any requirements for working capital and cash investments held for statutory or contractual purposes.

### 5.1 Funding of capital expenditure

1) An annual budget must show total capital expenditure and the different sources of funding.

2) All sources of funding shown in terms of sub regulation (1) must be available, and must not have been committed for other purposes.

3) The total budgeted capital funding by source must equal the total budgeted capital expenditure.

## 6. APPROVAL OF CAPITAL PROJECTS

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

a) the municipal council resolution approving the capital project; and

b) details of the nature, location and total projected cost of the approved capital project.

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

a) capital projects of which the total projected cost is below R50 million, in the case of a municipality with approved total revenue in its current annual budget greater than R500 million.

3) Sub regulation (1) does not apply to capital projects whose total projected cost when the annual budget is approved is below the values set out in sub regulation (2).

4) Expenditure needed for capital projects below the values set out in sub regulation (2) may be included in the annual budget before the project is approved in terms of section 19(3) of the Act.

## 7. TABLING OF ANNUAL BUDGETS IN MUNICIPAL COUNCILS

1) An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17(3) of the Act must –

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

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

c) When complying with section 68 of the Act, the municipal manager must submit

2) The draft municipal service delivery and budget implementation plan to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the Act.

3) For effective planning and implementation of the annual budget, the draft municipal service delivery and budget implementation plan may form part of the budget documentation and be tabled in the municipal council if so

recommended by the budget steering committee.

## 8. PUBLICATION AND SUBMISSION OF ANNUAL BUDGETS FOR CONSULTATION

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

b) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and

c) information relevant to each ward in the municipality.

2) All information contemplated in sub regulation (1) must cover:

a) the relevant financial and service delivery implications of the annual budget; and

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

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

a) the supporting documentation as tabled in the municipal council; and

b) any other information as may be required by the National Treasury.

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

a) Any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and

b) Any other organ of state on receipt of a request from that organ of state.

c) Within 14 days after the draft annual budget has been tabled, the Municipality must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National Treasury.

d) 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.

## 9. CONSIDERATION OF ANNUAL BUDGETS BY MUNICIPAL COUNCILS

1) At least 30 days before the start of the budget year the mayor must for purposes of section 23 of the Act table the following documents in the municipal council –

a) a report summarizing the local community's views on the annual budget;

b) any comments on the annual budget received from the National Treasury and the relevant provincial treasury;

c) any comments on the annual budget received from any other organ of state, including any affected municipality; and

d) any comments on the annual budget received from any other stakeholders.

2) The municipal manager must assist the mayor in the preparation of the documents referred to in sub regulation (1) and section 23(2) of the Act.

## 10. APPROVAL OF ANNUAL BUDGETS

1) A municipal council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.

a) The council resolution can contain budget policies.

b) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.

c) The budget tabled to Council for approval shall include the following supporting documents:

i. resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;

ii. other resolutions;

iii. National Treasury prescribed budget schedules and supporting tables;

iv. any proposed amendments to the IDP;

v. any proposed amendments to the budget related policies.

2) When approving an annual budget, a municipal council must in terms of section 24(2) (c) of the Act, consider and adopt separate resolutions dealing with each of the matters contemplated in that section.

a) Within 14 days after the draft annual budget has been tabled, the Municipality must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National Treasury.

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:

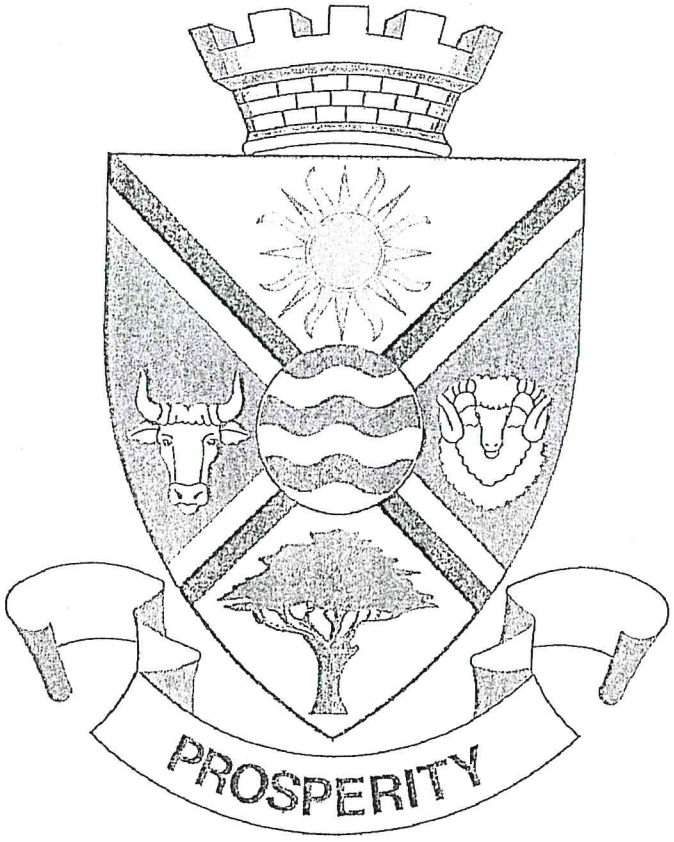
- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan
- the annual report;

# 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 extend 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 toexisting 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 from12.5Ml per day in 2010to 28.1Ml per day in 2030. This equates to ±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 ±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 ±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 $100m^2$ of bulk, or $100m^2$ 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 developerto

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 Ml per day to 22.9 Ml 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 $100m^2$ of bulk, or $100m^2$ 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 2010to 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.

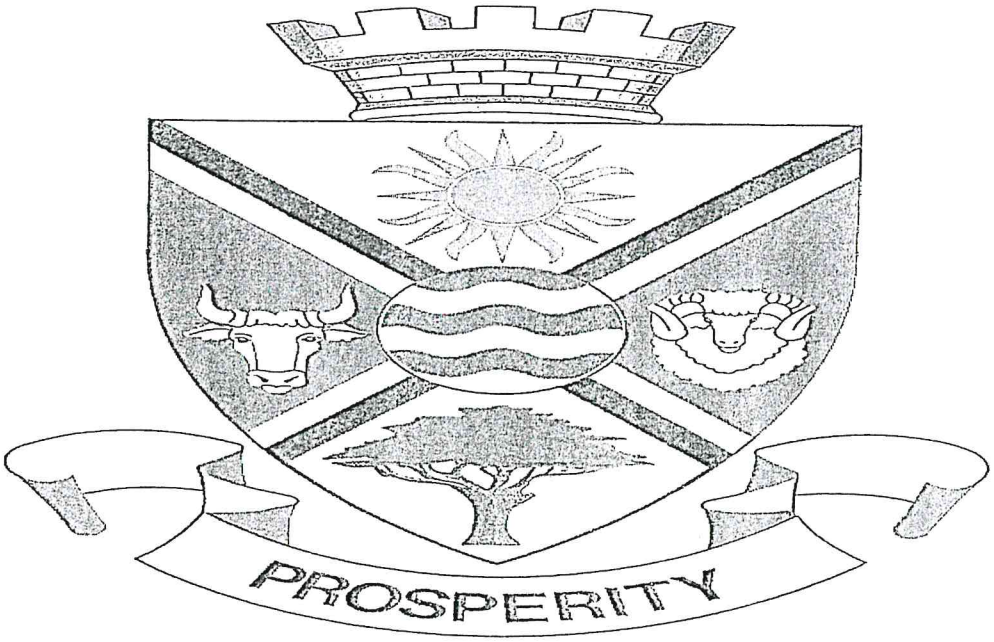
## 10. MUNICIPAL MANAGER IS THE RESPONSIBLE AND ACCOUNTABLE OFFICER

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 12 – Inventories;
- GRAP 13 – Leases;
- GRAP 16 – Investment Property;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 21 – Impairment of Non-cash-generating assets;
- GRAP 26 – Impairment of Cash-generating assets;
- GRAP 27 - Agricultural;
- GRAP 31 – Intangible Assets;

## 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 or vacant stand held for undetermined future use. These properties (land or a building, or part of a building, or both) are 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.

- **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.

*"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. The fair value of items of plant and equipment is usually their market value determined by appraisal, while the fair value of land and buildings is usually determined from market-based evidence by appraisal.

*"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.

*"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.

*"Involuntary Disposals"* is the act of accounting for an asset that was lost, stolen, destroyed, or any other form of unplanned alienation, including natural disasters and damage suffered from riot or strike action, without consent, or intention of management or council. There is no intention or decision to generate a profit, discharge a liability or recuperate the value of an asset no longer in use or retired, and there was no exchange of resources.

*"Land and Buildings"* are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude Investment properties and Land Inventories.

*"Municipality"* means the Ga-Segonyana Municipality.

"*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 accounting 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 without ceding or acquiring legal ownership in the assets. In other words, where the granting of such rights does 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.

***"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.

***"Voluntary Disposal"*** is the act of taking a decision to dispose of an asset to generate a profit, discharge a liability or recuperate the value of an asset no longer in use or retired.

***"Write-off"*** includes the sale, loss, theft, destruction, decommissioning, derecognition or any other form of alienation that is the result of loss of control of the asset in question.

## 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 asset verification exercise;
- Keep a complete and balanced record of all assets in possession of the Council;

- Report in writing and investigate all asset losses to the Council;
- Recover any losses due to negligence or abuse identified through the investigation on instruction from the Council
- Ensure that the asset register of the Council is balanced annually.
- 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, reported and investigated
- 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 and Chief Financial Officer 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) within which the assets will be used
- 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
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the useful life over which the asset is depreciated
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- method of calculating recoverable amount (when impairment tests are required in terms of GRAP)
- increases or the decreases resulting from revaluations (if applicable)
- the source of financing
- condition of the asset
- the date on which the asset is disposed of
- 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 and controlled by the municipality.

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 authorise 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).

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 for service delivery 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), to the extent that a previous gain reserve has been reversed, 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 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 ensures 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 as part of such asset being brought 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 to the extent that specific borrowings can be separately identified and only up to the point the asset is brought into use(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, installation, 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

Any changes to the useful operating life assigned to any PPE must be approved by the Chief Financial Officer, 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 is not performing as planned or anticipated 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.

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 GRAP 21 and GRAP 26.

Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's

future economic benefits or service potential through depreciation. The following serve as examples of impairment indicators:

- During routine physical inspection of the asset there was evidence of physical damage (or obsolescence);
- The asset is not being used, or access to the asset is restricted, due to structural damage.
- The asset is not able to perform at the planned or required level and as a result is not meeting service delivery targets.
- During routine physical inspection of the asset it was identified that the asset deteriorated faster than expected, or was subject to damage, which will result in replacement or significant maintenance earlier than expected.
- 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.

All assets should be assessed annually for impairment indicators. Where impairment indicators are identified over a specific asset or group of assets, The carrying amount of said item or group of assets should be reviewed 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 entity will designate its assets as either non-cash generating or cash generating in accordance with GRAP 21.

Designation is based on the entities objective of using the asset at initial recognition for:

- Delivery of service (service assets) or
- Generating commercial return (profit assets)

It is expected that some assets may have a dual-purpose.
A dual-purpose asset is only classified as cash-generating (profit assets) if the purpose to create a profit clearly stands out and the service delivery aspect is incidental. If the purpose is not clear, the assets are presumed to be non-cash-generating (service assets)

The designation has to be done on an asset or cash-generating unit.
In the designation process assets are first designated using a group of assets and any remaining assets are then designated on an individual asset basis. The designation is applied to individual assets.

An asset could comprise a group of assets that are part of a system or network, that is, infrastructure assets.

Examples of a cash-generating unit (group of assets):

- Administrative / owner-occupied assets
- Infrastructure – Roads
- Infrastructure – Water
- Infrastructure – Electricity
- Infrastructure – Sewer
- Infrastructure – Waste Management
- Community Assets – Swimming Pool
- Community Assets – Community Hall

For non-cash generating assets GRAP 21 will be applied.
For cash generating assets GRAP 26 will be applied.

The impairment amount is calculated as the difference between the carrying value and the recoverable value.

Non-cash generating assets
The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.
Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Cash generating assets
The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.
Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Where the recoverable amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at re-valued amount.

If the asset is carried at a re-valued amount the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

# 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 annual 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 Funding*

- 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.

### *19.4 Capital Replacement Reserve*

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.

### *19.5 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 included on the asset disposal form:

- 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 unique identification 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.

The unique identification number will be assigned as follows:

- Infrastructure assets – FAR ID
- Community assets – FAR ID
- Heritage assets – FAR ID
- Investment properties – Land Parcel Identifier (LPI)
- Intangible assets FAR ID and product licence number
- Other assets – Barcodes
- Land and buildings – FAR ID and/or LPI

## 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 affect 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.**

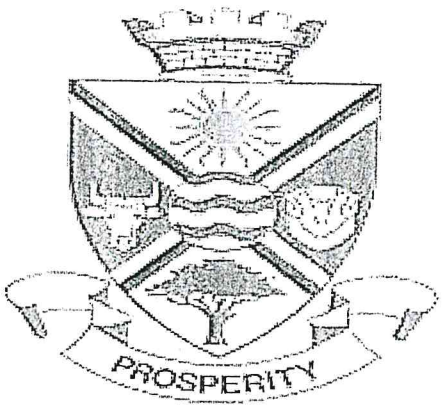
## ANNEXURE A: ASSET CATEGORY AND USEFUL LIFE

| | | | |
|---|---|---|---|
| Buildings | Buildings | Buildings | 25 – 50 years |
| Heritage assets | Heritage assets | Heritage assets | Not depreciated |
| Infrastructure | Civil structures | Civil structures | 15 – 50 years |
| Infrastructure | Electricity | Distribution and cables | 40 – 50 years |
| Infrastructure | Electricity | Equipment | 15 – 45 years |
| Infrastructure | Electricity | Public lighting | 30 – 40 years |
| Infrastructure | Mechanical equipment | Mechanical equipment | 10 – 20 years |
| Infrastructure | Other | External facilities | 7 – 30 years |
| Infrastructure | Roads | Bridges | 30 – 80 years |
| Infrastructure | Roads | Furniture | 8 – 80 years |
| Infrastructure | Roads | Structure | 10 – 50 years |
| Infrastructure | Roads | Traffic management | 10 – 15 years |
| Infrastructure | Sewerage | Pipelines | 40 – 50 years |
| Infrastructure | Sewerage | Pump stations | 10 – 55 years |
| Infrastructure | Solid waste | Bins and disposal | 10 – 20 years |
| Infrastructure | Sports- and playgrounds | Sports- and playgrounds | 10 – 40 years |
| Infrastructure | Stormwater | Drainage constructed | 50 – 70 years |
| Infrastructure | Stormwater | Drainage unlined | 10 – 15 years |
| Infrastructure | Water | Dams and reservoirs | 50 – 80 years |
| Infrastructure | Water | Other | 15 – 20 years |
| Infrastructure | Water | Pipes and grids | 50 – 90 years |
| Infrastructure | Water | Pumps and tanks | 15 – 20 years |
| Intangible assets | Intangible assets | Computer software | 3 – 5 years |
| Intangible assets | Intangible assets | Rights | Not depreciated |
| Intangible assets | Intangible assets | Systems (annual license) | Not capitalised |
| Investment property | Investment property | Investment property | Not depreciated |
| Land | Land | Land | Not depreciated |
| Land | Quarry | Quarry | Per expert report |
| Other assets | Emergency equipment | Emergency equipment | 5 – 10 years |
| Other assets | Furniture and fittings | Furniture and fittings | 5 – 7 years |
| Other assets | Motor vehicles | Motor vehicles | 5 – 15 years |
| Other assets | Office furniture | Office furniture | 4 – 15 years |
| Other assets | Plant and equipment | Plant and equipment | 4 – 15 years |

## ANNEXURE B: ASSET TYPES NOT CAPITALISED DUE TO BEING UTILISED LESS THAN 12 MONTHS

- Kitchenware, e.g. Kettles, toasters, two-plate stove, etc.
- Stationery equipment, e.g. Punches (not heavy duty), staplers (not heavy duty), etc.
- Garden equipment, e.g. Brooms, rakes, spade, etc.
- Machines (not heavy duty), e.g. Spanners, screw drivers, etc.
- Electrical equipment, e.g. Extension lead, multi plug, etc.
- Mattresses
- Cutlery & crockery
- Other, as may be determined by management

# ANNEXURE H




# GA-SEGONYANA LOCAL MUNICIPALITY

# SUPPLY CHAIN MANAGEMENT POLICY

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.

## MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

## LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

DATE OF ADOPTION .....

Council resolves in terms of Sec 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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## 1. 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 –

**"Municipality"** means the Ga-Segonyana Local Municipality.

**"Municipal entity"** has the meaning assigned to it by Section 1 of the Municipal systems Act, 2000.

"**Other applicable legislation**" means any other legislation applicable to municipal supply chain management, including -

- the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

**"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

f) an employee of Parliament or a provincial legislature;

"**Sole Provider**"-means a provider of specialized or exclusive goods/services who has a sole distribution / patent /manufacturing rights and copy rights.

**"Senior manager"** means an executive director appointed in terms of section 56 of the Municipal Systems Act, 2000 or an acting executive director appointed by the Accounting Officer.

**"The Act"** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

"**All applicable taxes**" includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies;

"The regulations" means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 10684 of 2017;

**"B-BBEE"** – means broad based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;

**"B-BBEE STATUS LEVEL OF CONTRIBUTOR** – means the B-BBEE status of an entity 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; "Black People"; has the meaning assigned to it in section 1 of the Broad Based Black 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 Based Black Economic Empowerment Act;

**Broad Based Black Economic Empowerment Act** – means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)

**Co-Operative** – means a co-operative registered in terms of section 7 of the Co-operatives ACT, 2005 (Act No. 14 of 2005);

**Designated Group** means –

a) black designated groups;

   i. black people;

   ii. women;

   iii. people with disabilities, or

   iv. small enterprises, as defined in section 1 of the National Small Enterprise Act, (Act No. 102 of 1996);

**"Designated Sector"** – means a sector, sub-sector or industry or product designated in terms of regulation 8(1) (a)

**"EME"** means and exempted of the 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;

**"Functionality"** – means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents;

**"Military Veteran"** – has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

**"National Treasury"** has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

**"People with Disabilities"** - has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 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) a sworn affidavit as prescribed by the B-BBEE Codes 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 code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

**"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 large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system.

**"Stipulated Minimum Threshold"** – means the minimum threshold stipulated in terms of regulation 8 (1) (b);

**"Township"** – means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

**"Treasury"** – has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and

**"Youth"** – has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008)

**"Accredited"** means goods / services that are officially recognized, are generally accepted or having a guaranteed quality.

**"Competitive bid"** means a bid in terms of a competitive bidding process;

**"Competitive bidding process"** means a competitive bidding process referred to in paragraph 14 (1) (d) of this Policy;

**"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.

**"Emergency procurement"** emergency cases are cases where immediate action is necessary in order to avoid dangerous or risky situation (life threatening) or misery such as floods or fires.

**"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.

**"Final award"**, in relation to bids or quotations submitted for a contract, means bids or quotations submitted for a contract, means the final decision on which-bid or quote to accept;

**"Written or verbal quotations"** means quotations referred to in paragraph 14 (1)(b) of this Policy

**"Formal written price quotation"** means quotations referred to in paragraph 14 (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;

**"Irregular expenditure"**- as contemplated in MFMA section 32 and refers to the;

- Municipal Finance Management Act, Act56 of 2003, and its regulations
- Municipal Systems Act, Act 32 of 2000, and its regulations
- Public Office-Bearers Act, Act20 of 1998, and its regulations; and
- 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 16 of this policy;

**"Central Supplier Database (CSD)"**- is a single database to serve as the source of all supplier information for all spheres of government. The purpose of centralising government's supplier database is to reduce duplication of effort and cost for both supplier and government while enabling electronic procurement processes.

**"e-Tender Publication Portal"** - facilitates all government institutions to publish their tenders, corrigendum and award notices on a single platform. This portal gives FREE access to public sector tender opportunities in South Africa.

**"Transversal contract"** means a contract arranged for more than one Dept/Mun 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;

**"Unauthorized expenditure"** - means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 [3] of 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.

## CHAPTER 1
## IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

### 2. SUPPLY CHAIN MANAGEMENT POLICY

2.1. All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that

a) gives effect to -

i. section 217 of the Constitution; and

ii. Part 1 of Chapter 11 and other applicable provisions of the Act;

b) is fair, equitable, transparent, competitive and cost effective;

c) complies with -

i. the Regulations; and

ii. any minimum norms and standards that may be prescribed in terms of section 168 of the Act;

d) is consistent with other applicable legislation;

- Broad Based Black Economic Empowerment Act [B-BBEEA];
- Corruption Act, 1998 – anti-corruption measures and practices;
- Competition Law and Regulations;
- Promotion of Administrative Justice Act, 2000;
- National Archives of South Africa Act, 1996;
- National Small Business Act;
- Construction Industry Development Board Act, 2000 [Act no 38 of 2000].
- Preferential Procurement Policy Framework Act

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.

2.2. 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.

2.3. 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.*

2.4. 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 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.

## 3. AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

3.1. The accounting officer must -

a) at least annually review the implementation of this Policy; and

b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council.

3.2. 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.

3.3. When amending this supply chain management policy, the need for uniformity in supply chain practices, procedures 0and 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

4.1. The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer-

a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of -

i. Chapter 8 or 10 of the Act; and

ii. this Policy;

b) to maximise administrative and operational efficiency in the implementation of this Policy;

c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

4.2. 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).

4.3. 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.

4.4. 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 28 of this Policy.

## 5. SUB DELEGATIONS

5.1. The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

5.2. 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 chief financial officer;

ii. a senior manager; or

iii. a bid adjudication committee comprises of:

- Chief Financial Officer
- Head Infrastructure Services
- Head Corporate Services
- Head Community Services

c) not exceeding R2 million (VAT included) may be sub delegated but only to –

i. the chief financial officer;

ii. a senior manager;

iii. a manager- directly accountable to the chief financial officer or a senior manager; or –

iv. a bid adjudication committee comprises of:

- Chief Financial Officer
- Head Infrastructure Services
- Head Corporate Services
- Head Community Services

5.3. 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.

5.4. A written report referred to in subparagraph (3) must be submitted

a) to the accounting officer, in the case of an award by -

i. the chief financial officer;

ii. a senior manager; or

iii. a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

b) to the chief financial officer or the senior manager responsible for the relevant bid; in the case of an award by-

i. a manager referred to in subparagraph (2)(c)(iii); or·

ii. a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

5.5. Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

5.6. 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 28 of this Policy.

5.7. No supply chain management decision-making powers may be delegated to an

advisor or consultant.

## 6. OVERSIGHT ROLE OF COUNCIL

6.1. The council reserves its right to maintain oversight over the implementation of this Policy.

6.2. For the purposes of such oversight the accounting officer must –

a)

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

6.3. 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.

6.4. The reports must be made public in accordance with section 21A of the Municipal Systems Act.

## 7. SUPPLY CHAIN MANAGEMENT UNIT

7.1. A supply chain management unit is hereby established to implement this Policy.

7.2. 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

8.1. 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

9.1. This Policy provides systems for -

i. demand management;
ii. acquisition management;
iii. logistics management;
iv. disposal management;
v. risk management; and
vi. performance management.
vii. asset management
viii. Contract Management

### PART 1: DEMAND MANAGEMENT

### 10. SYSTEM OF DEMAND MANAGEMENT

10.1. The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goal outlined in the Integrated Development Plan

10.2. 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 **01 July** every year. The relevant information should preferably be furnished in the format contained in the MFMA Circular 62 (Annexure A and B).

## 11. FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation.

The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

11.1. Minimum Requirement for Infrastructure Procurement

a). Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.

b). Infrastructure procurement must be implemented in accordance with the institutional Supply Chain Management System, which promotes differentiated procurement for infrastructure

c). Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in paragraph 11.

d). The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets

e). The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.

f). Procurement gates provided in paragraph 11 of this policy must be used, as appropriate, to

i. Authorise commencement of activities that lead to the next control gate;

ii. Confirm conformity with requirements; and/or

iii. Provide information

g). The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.

h). The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.

i). The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy

j) The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:

i. Procurement gate;
ii. Delegated person/s or body;
iii. Date on which the approval request was received;
iv. Date on which the approval was actioned; and
v. Signature of the delegated person or body.

k). All assets must be recorded in the municipal asset register as required by the GRAP standards.

11.2. Infrastructure Procurement Gates (PG1)

a). Initiate a procurement process;

*(See Annexure C: In order for the initiation to be completed, and the decision to proceed with procurement is effected; the Project Stage Deliverables for Stages 1 and 2 must be completed. In the case of Mega Projects (Projects in excess of R50 million) the Gateway Review requirements must be adhered to as stipulated within Annexure C)*

11.2.1. Minimum Requirement for PG 1:

i). Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.

ii). Determine a suitable title for the procurement, to be applied as the project description.

iii). Prepare the broad scope of work for the procurement.

iv). Perform market analysis

v). Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.

vi). Confirm the budget.

vii). Compliance with section 33 of the MFMA with respect to community and stakeholder consultation

b). PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.

11.3. Procurement Gate 2 for PG 2:

a). Approve procurement strategy to be adopted.

***See Annexure C: In order for the procurement strategy to be adopted, and the decision to proceed with an approved procurement strategy; the Project Stage Deliverables for Stages 3 and 4 must be completed)***

11.3.1. Minimum Requirement for PG 2:

a). Develop a procurement strategy aligned to the institutional procurement strategy:

i). Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.

ii). Identify service required for works.

iii). Decide on contracting strategy

iv). Decide on pricing strategy

v). Decide on form of contract

vi). Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code

b). PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.

11.4. Procurement Gate 3 (PG 3)

a) Approve procurement documents.

11.4.1. Minimum requirements for PG 3

b). Prepare procurement documents that are compatible with:

i). Approved procurement strategies.

ii). Project management design documentation.

c). PG 3 is complete when the Bid Specification Committee approves the procurement document

11.5. Procurement Gate 4 (PG 4)

a) Confirm that cash flow processes are in place to meet contractual obligations.

11.5.1. Minimum requirement for PG 4

11.5.1.1. Confirm that cash flow processes are in place to meet contractual obligations.

11.5.1.2. Establish control measures for settlement of payments within the time period specified in the contract.

b). PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are establish ed for the procurement to take place.

## PART 2: ACQUISITION MANAGEMENT

### 12. SYSTEM OF ACQUISITION MANAGEMENT

12.1. 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.

e) that the preference point system used in accordance with the Preferential Procurement Regulations 2017.

f) that any Treasury guidelines on acquisition management are properly taken into account. Verification of bids in access of R10 million

g) Verification of bids in access of R10 million:

**Prior to advertisement:**

Verification by the Chief Financial Officer

The senior manager responsible for a vote must submit to the Chief Financial Officer

- proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
    - any ancillary budgetary implications related to the bid;
    - 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 Chief Financial Officer 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) Publication of awards in respect of advertised competitive bids [above the threshold value of R 200 000]

The following information on the successful bids must be placed on the municipal website:

- Contract numbers and description of goods, services or infrastructure projects;
- Names of the successful bidders and the B-BBEE level of contribution claimed;
- Brand names and dates for completion of contracts.

i) Functionality

Adhere to the revised guidelines when functionality is included as a criterion in the evaluation of bids [National Treasury note issued in September 2010].

(i) Clear indication must be given in bid documents if bids will be evaluated on functionality.

(ii) Evaluation criteria must be objective.

(iii) 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.

(iv) Bidders failing to achieve the qualifying score for functionality must be disqualified.

(v) Bidders achieving the minimum qualifying score must be evaluated further in terms of points for price and B-BBEE status level contribution

(vi) Must be determined separately for each tender; and

(vii) May not be so-

- low that it may jeopardise the quality of the required goods and services; or
- high that it is unreasonably restrictive.

(viii) Points scored for functionality must be rounded off to the nearest two decimal places.

12.2. When procuring goods or services contemplated in section 110(2) of the Act must make public the fact that it procures such goods and services otherwise than through its supply chain management system, including -

a) the kind of goods or services; and

b) the name of the supplier.

13. FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation. The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP

13.1. Procurement Gate 5 (PG 5)

a). Solicit tender offers.

13.1.1. Minimum requirements for PG 5

i). Invite contractors to submit tender offers.

ii). Receive tender offers.

iii). Record tender offers.

iv). Safeguard tender offers.

b). PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.

13.2. Procurement Gate 6 (PG 6)

a). Evaluate tender offers premised on undertakings and parameters established in procurement documents.

13.2.1. Minimum Requirement for PG 6:

i). Determine whether tender offers are complete.

ii). Determine whether tender offers are responsive.

iii). Evaluate tender submissions.

iv). Review minimum compliance requirements for each tender.

v). Perform a risk analysis.

vi). Prepare a report on tender offers received, and on their achievement of minimum compliance.

b). PG 6 is complete when the chairperson of the Bid Evaluation Committee

approves the BEC report.

13.3. Procurement Gate 7 (PG 7)

a). Award the contract.

13.3.1. Minimum Requirement for PG 7:

i). Bid adjudication committee review of the BEC evaluation report.

ii). Bid Adjudication Committee makes an award.

iii). Accounting Officer Approval of the tender process.

iv). Notify successful tenderer and unsuccessful tenderers of the outcome.

v). Sign contract document.

vi). Formally accept tender offer.

b). PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract

## 14. RANGE OF PROCUREMENT PROCESSES

14.1. 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.

14.2. 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];

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R 10 000[all taxes included]; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 [all taxes included].

14.3. 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.

## 15. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

15.1. 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) registered on Central Supplier Database (CSD) with a tax compliant status;

(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; or if the bidder lives in the rural area, he or she should get proof of residence from the chief of the village of the area

(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 500 000 |
| 2 | R 1 000 000 |
| 3 | R 3 000 000 |
| 4 | R 6 000 000 |
| 5 | R 10 000 000 |
| 6 | R 20 000 000 |
| 7 | R 60 000 000 |
| 8 | R 200 000 000 |
| 9 | No Limit |

a) 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 [the tax compliant status be verified on the Central Supplier Database (CSD)] and

b) 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.

## 16. LISTS OF ACCREDITED PROSPECTIVE PROVIDERS

16.1. The accounting officer must -

a) utilise the National Central Supplier Database (NCSD) to source accredited service providers of goods and services that must be used for procurements through written, verbal quotations, formal written price quotations and competitive bids; and

b) invite prospective service providers of goods and services to apply for evaluation and listing as accredited prospective service providers for subcontracting purposes; and

c) 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.

d) Suppliers may update their CSD status continuously;

e) CSD is compiled per commodity and per type of service.

## 17. PETTY CASH PURCHASES

17.1. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 14 (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.

## 18. WRITTEN OR VERBAL QUOTATIONS

18.1. 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 are listed on the CSD.

b) quotations must be approved on a rotation basis.

c) to the extent feasible, providers must be requested to submit such quotations in writing

d) 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;

e) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

f) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider:

g) 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.

h) In cases where there are only a few suppliers for certain goods e.g., vehicle repairs, fuel outlets, etc. the municipality will then use these suppliers on a rotation basis. This practice will only be utilized in exceptional cases. As soon as more suppliers become available, such goods / services will be provided via the normal SCM quotations.

## 19. FORMAL WRITTEN PRICE QUOTATIONS -

19.1. The conditions for the procurement of goods or services through formal written price quotations, are as follows:

a) quotations must be obtained in writing from at least three different providers whose names are listed on Central Supplier Database

b) 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

c) the accounting officer must record the names of the potential providers and their written quotations.

19.2. 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.

## 20. PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN OR VERBAL QUOTATIONS AND FORMAL WRITTEN PRICE QUOTATIONS

20.1. The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:

a) 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 19, be advertised for at least seven days on the website and an official notice board of the municipality;

c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;

d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;

e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

f) acceptable offers, which are subject to the preference points system (PPPFA and PPR 2017), 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.

## 21. COMPETITIVE BIDS

21.1. Goods or services above a transaction value of R200 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to paragraph 12 (2) and 15 of this Policy.

21.2. No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

21.3. The 80/20 or 90/10 principle is applicable; 80/90 points for price and 20/10 points for B- BBEE status level verification certificates. The 20/10 points will be standard as follows;

| B-BBEE Status Level of Contributor | Number of points [80/20] | Number of points [90/10] |
|---|---|---|
| 1 | 20 | 10 |
| 2 | 18 | 9 |
| 3 | 14 | 6 |
| 4 | 12 | 5 |
| 5 | 8 | 4 |
| 6 | 6 | 3 |
| 7 | 4 | 2 |

| | | |
|---|---|---|
| 8 | 2 | 1 |
| Non-compliant Contributor | 0 | 0 |

21.4. 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. 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.

21.5. The 80/20-point system is applicable from R30 000 [all taxes included] up to R50 million [all taxes included]

21.6. The 90/10-point system is applicable to bids invited exceeding R 50 million [all taxes included]

21.7. The specification committee will make proposals if functionality points need to be used and the evaluation committee will approve a variation in the point system for a specific bid.

21.8. For construction procurements the CIDB Act and Regulations are to be used for quotations/ bids.

## 22. PROCESS FOR COMPETITIVE BIDDING

22.1. The procedures for the following stages of a competitive bidding process are as follows:

a) Compilation of bidding documentation as detailed in paragraph 23;

b) Public invitation of bids as detailed in paragraph 24;

c) Site meetings or briefing sessions as detailed in paragraph 24;

d) Handling of bids submitted in response to public invitation as detailed in paragraph 25;

e) Evaluation of bids as detailed in paragraph 30;

f) Award of contracts as detailed in paragraph 31;

g) Administration of contracts

(i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.

h) Sub-contracting

(i) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the organ of state.

(ii) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

(iii) A person awarded a contract may not submit more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.

22.2. Subcontracting as condition of tender

a) If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups.

b) If an organ of state applies subcontracting as contemplated in sub regulation (1) the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

(i) an EME or QSE which is at least 51% Black Owned;

(ii) an EME or QSE which is at least 51% owned black owned by black youth;

(iii) an EME or QSE which is at least 51% Black Women Owned;

(iv) an EME or QSE which is at least 51% owned by black people with disabilities;

(v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas and / or townships;

(vi) a Cooperative which is at least 51% owned by black people;

(vii) an EME or QSE which is at least 51% owned by black people who are military veterans;

(viii) The organ of state must make available the list of all suppliers registered on a database approved by national treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub-regulation (2) from which the tenderer must select a supplier.

22.3. Local production and content

22.3.1. The Department of Trade and Industry may, in consultation with the National Treasury -

a) designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors; and

b) stipulate a minimum threshold for local production and content.

22.3.2. An organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.

22.3.3. The National Treasury must inform organs of state of any designation made in terms of regulation 8(1) through a circular,

22.3.4. a). If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or

locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.

b). The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.

22.3.5. A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

22.3.6. Local Content also applicable when requesting quotations.

22.4. Evaluation of bids that scored equal points

i. 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.

ii. If two or more bids have equal points, including equal preference points for BBBEE, the successful bid must be the one scoring the highest points for functionality, if functionality is part of the evaluation process.

iii. In the event that two or more bids are equal in all respects, the award must be decided by drawing lots.

22.5. Cancellation and re-invitation of bids

(i) Addition of sub-regulation related to cancellation of tender due to material irregularities.

(ii) Also, in addition of a provision that an organ of state may cancel a tender for the second time, only with the approval of the relevant treasury.

22.6. 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._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 defendable in a court of law.

22.7. Sale and letting of assets

i. The Preferential Procurement Regulations, 2017, are not applicable to the sale and letting of assets.

ii. In instances where assets are sold or leased, by means of a bidding process, the bid must be awarded to the bidder with the highest price

22.8. Proper record keeping

(i) Original legal copies of written contracts agreements should be kept in a secure place for reference purposes.

## 23. BID DOCUMENTATION FOR COMPETITIVE BIDS

23.1. 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 those 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

## 24. PUBLIC INVITATION FOR COMPETITIVE BIDS

24.1. 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 include for;

(i) GOODS AND SERVICES:

Advertisement of Bids and the Publication of notices in respect of Awards Cancelled Bids, Verification and Extension of existing contracts on the e-Tender Publication Portal and Government Tender

Bulletin; and

(ii) WORKS AND INFRASTRUCTURE:

Advertisement of Bids and the Publication of notices in respect of Awards, and cancellation of bids on the CIDB i-Tender.

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 or the bid document uploaded on the e-tender portal; and

(iii) date, time and venue of any proposed site meetings or briefing sessions;

24.2. 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.

24.3. Bids submitted must be sealed.

24.4. Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

24.5. If a municipality decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond –

24.5.1. a tenderer having a stipulated minimum B-BBEE status level of contributor;

24.5.2. an EME or QSE;

24.5.3. a tenderer or 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 black owned by black people who are youth.

(iii) and EME or QSE which is at least 51% owned by black people who are women;

(iv) an EME or QSE which is at least 51% owned by black people with disabilities;

(v) an EME which is 51% owned by black people living in rural or underdeveloped areas or townships;

(vi) a cooperative which is at least 51% owned by black people;

(vii) an EME or QSE which is at least owned by black people who are military veterans;

(viii) and EME or QSE

## 25. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

25.1. 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.

## 26. NEGOTIATIONS WITH PREFERRED BIDDERS

26.1. 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.

d) upon approval to negotiate, the AO/AA must appoint a cross functional negotiation team, with one member appointed to be team leader.

e) the negotiation team leader must ensure that all members of the negotiating team are clear on the negotiation strategy and desired outcomes.

26.2. Minutes of such negotiations must be kept form record purposes.

## 27. TWO-STAGE BIDDING PROCESS

27.1. 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.

27.2. 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.

27.3. In the second stage final technical proposals and priced bids should be invited.

## 28. COMMITTEE SYSTEM FOR COMPETITIVE BIDS

28.1. 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;

28.2. The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

28.3. 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.

28.4. The committee system must be consistent with -

a) paragraph 29, 30 and 31 of this Policy; and

b) any other applicable legislation.

28.5. The accounting officer may apply the committee system to formal written price quotations.

## 29. BID SPECIFICATION COMMITTEES

29.1. A bid specification committee must compile the specifications for each

procurement of goods or services by the municipality.

29.2. 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 24 of this Policy.

29.3. 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.

29.4. 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.

## 30. BID EVALUATION COMMITTEES

30.1. 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 29(2)(f).

b) evaluate each bidder's ability to execute the contract;

c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

30.2. 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.

## 31. BID ADJUDICATION COMMITTEES

31.1. 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.

31.2. A bid adjudication committee must consist of at least four senior managers of the municipality, which must include -

(i) 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

(ii) at least one senior supply chain management practitioner who is an official of the municipality; and

(iii) 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 or final approval.

a) Where the Bid Adjudication Committee is of the view that the tenderer is charging prices higher than the fair market price, the Bid Adjudication Committee may request for the AO/AA to subject the tender to price

negotiations with the tenderers scoring the highest points (from first highest to third highest) before award is made.

31.3. 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.

31.4. 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.

31.5.

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.

31.6. 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.

31.7. The accounting officer must comply with section 114 of the Act within 10 working days

31.8. 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.

## 32. PROCUREMENT OF BANKING SERVICES

32.1. 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.

32.2. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

32.3. 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 24(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990):

## 33. PROCUREMENT OF IT RELATED GOODS OR SERVICES

33.1. 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.

33.2. Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

33.3. 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).

33.4. 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.

## 34. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

34.1. 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.

34.2. 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.

34.3. The municipality will implement this procurement method using the guidelines provided in the Instruction Note 25/08/2020 and its implementation guide.

## 35. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

35.1. 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.

35.2. 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.

## 36. PROUDLY SA CAMPAIGN

36.1. 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.

## 37. APPOINTMENT OF CONSULTANTS

37.1. 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.

37.2. 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.

37.3. 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.

37.4. 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.

## 38. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

38.1. 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.

38.2. 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.

38.3. Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 12 (2) of this policy.

38.4. Management of expansion or variation of orders against the original contract

(i) 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.

(ii) 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.

## 39. UNSOLICITED BIDS

39.1. In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

39.2. 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.

39.3. 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) its 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.

39.4. 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.

39.5. 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.

39.6. A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

39.7. 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.

39.8. 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.

39.9. 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

40.1. 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;

e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

f) cancel a contract awarded to a person if -

(i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

g) reject the bid of any bidder if that bidder or any of its directors -

(i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;

(ii) has been convicted for fraud or corruption during the past five years;

(iii) has willfully 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).

40.2. 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.

40.3. 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.

40.4. REMEDIES

The regulation has been enhanced to include sub-regulations related to:

(i) Giving tenderer an opportunity to make a submission;

(ii) Informing the relevant treasury in writing of any actions taken against the tenderer;

(iii) The responsibilities of the treasury after receiving documents from the organ of state concerned.

## PART 3: LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

### 41. LOGISTICS MANAGEMENT

41.1. 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

42.1. 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.

42.2. 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

42.3. The accounting officer must stipulate that -

(i) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

(ii) 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;

(iii) in the case of free disposal of computer equipment, the provincial department of education must first be approached to indicate withing 30 days whether any of the local schools are interested in the equipment; and

(iv) in the case of disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;

provide that -

a). immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

b). all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

(v). where assets are traded in for other assets, the highest possible trade-in price is negotiated.

## 43. RISK MANAGEMENT

43.1. The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are to be determined by council

43.2. 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

44.1. The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

# PART 4: OTHER MATTERS

## 45. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

45.1. 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.

45.2. Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.

45.3. 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

46.1. 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

47.1. 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

48.1. 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.* |

48.2. 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, favoritism or unfair conduct;

(ii) any alleged contravention of paragraph 49(1) of this Policy; or

(iii) any alleged breach of this code of ethical standards.

48.3. 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.

48.4. 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.

48.5. 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

49.1. 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.

49.2. 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.

49.3. Subparagraph (1) does not apply to gifts less than R350 in value.

## 50. SPONSORSHIPS

50.1. 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

51.1. 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

52.1. 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.

52.2. 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.

52.3. 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.

52.4. 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.

52.5. 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.

52.6. 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-

53.1. 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. PROCUREMENT CONTROL MEASURES UNDER COVID

54.1. During the national state of disaster accounting officers must consider the impact any supply chain disruptions may have on finance management operations and develop control measures to address such.

54.2. When accounting officers consider invoking provisions in contracts related to "force majeure" for suppliers, legal advice must be sought on a case-by-case basis and accounting officers must guard against the risk of possible fruitless and wasteful expenditure due to payments made for services not rendered or goods not supplied.

54.3. Internal controls within the supply chain management (SCM) environment must be reviewed in terms of administrative controls and delegations to ensure required authorisations are done by relevant officials.

54.4. Internal control measures must be established to consider and approve any COVID-19 related procurement in the municipality or municipal entity. Prior to generating an order in relation to COVID-19 related procurement, the document must be referred to any other relevant function within the municipality or municipal entity to conduct checks to prevent any possible irregular expenditure.

54.5. Emergency requirements may be addressed through the emergency procurement provisions as stipulated in SCM Regulations and MFMA Circulars — Preventing and Combatting Abuse in the SCM System and reiterated further in the National Treasury Circulars.

54.6. MFMA Circulars on Preventing and Combating Abuse in the Supply Chain Management System states that accounting officers must only deviate from inviting competitive bids in cases of emergency and sole supplier status. These deviations do not require the approval of the relevant treasuries. It is understood that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls on a municipality or municipal entity to action and there is insufficient time to invite competitive bids.

54.7. The emergency procurement provisions provide for accounting officers to procure the required goods or services by other means, such as price quotations or negotiations, in terms of SCM Regulations. The reasons must be recorded and approved by the accounting officer or his/her delegate.

54.8. Section 114 of the MFMA and council policies require accounting officers to report within 10 working days to the relevant treasury and the Auditor-General all cases where goods and services were procured from bidders other than the one recommended. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process.

54.9. The principles of fairness, equity, transparency, competitiveness and cost-effectiveness must be maintained. Emergency procurement must be limited to goods, services and works that addresses the programme of preventing the spread of the COVID-19 virus.

55. CIRCULARS

| EFFECTIVE YEAR | DESCRIPTION | CIRCULAR NO |
|---|---|---|
| 01 July 2021 | Local Government Framework for Infrastructure Delivery and Procurement Management | 106 |
| 18 July 2016 | E-Tender Portal | 83 |
| November 2016 | Cost Containment Measures | 82 |
| 18 March 2016 | Central Supplier Database | 81 |
| 26 Oct 2015 | Model SCM Policy for infrastructure Procurement and Delivery Management | 77 |
| 13 May 2014 | Systems of Delegations | 73 |
| 22 May 2013 | SCM on Local Production and Content | 69 |
| 10 May 2013 | Unauthorised, Irregular, Fruitless and Wasteful Expenditure | 68 |
| 20 Aug 2012 | SCM Enhancing Compliance and Accountability | 62 |
| 03 Sep 2010 | Supply Chain Management – Amended Guidelines on Functionality for Evaluation of Bids | 53 |
| 30 July 2010 | Supply Chain Management – Prohibition of Restrictive Practices | 52 |
| 17 March 2008 | Supply Chain Management – Checking the prohibition status of recommended bidders | 46 |
| 25 May 2007 | Supply Chain Management – Restriction of Suppliers | 43 |
| 20 Oct 2006 | Supply Chain Management Implementation Checklist | 40 |

| | | |
|---|---|---|
| 28 June 2006 | Supply Chain Management Issues | 34 |
| 27 March 2006 | Supply Chain Management Issues | 33 |
| 31 Jan 2006 | Supply Chain Management Issues | 29 |
| 03 Oct 2005 | Supply Chain Management Guide and Bid Documents | 25 |
| 20 April 2005 | Supply Chain Management Training | 16 |
| 25 Aug 2005 | Model Policy Supply Chain Management | 22 |

## 56. GUIDELINES

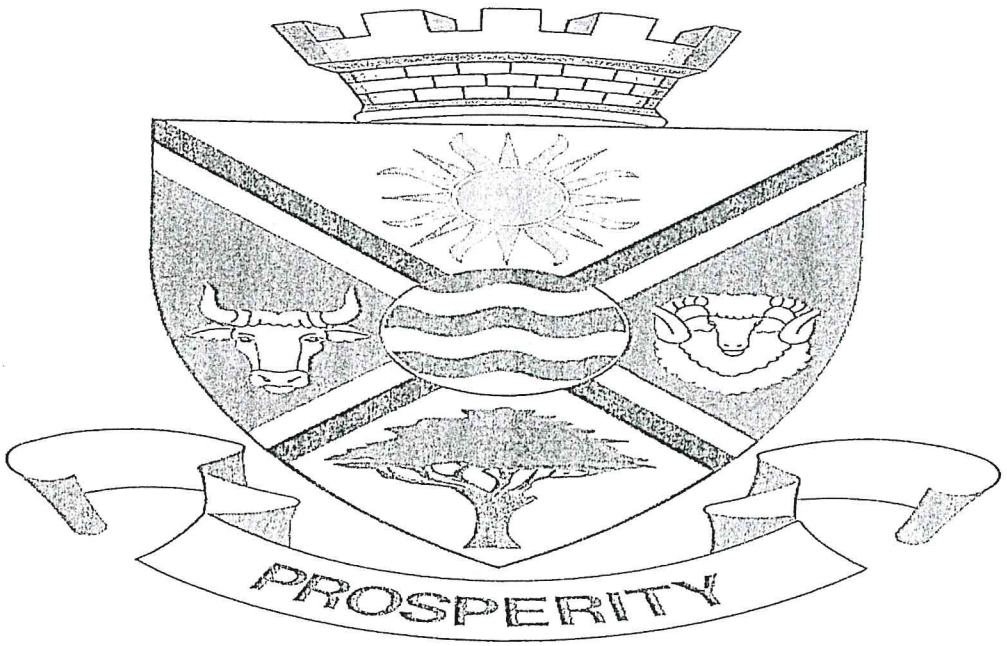
| | |
|---|---|
| 1. | Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities |

## 57. COMMENCEMENT

57.1. This Policy takes effect on **01 July 2022**.

# 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

Whoaretravelling 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 o f2003 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 accomodation.

The following legistion will be applied.

- Department of Finance Tariff guidelines
- SALGA's Councillors 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 interms 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 kilomere 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.

61.4. All officials who receive and qualifies for travel allowance must submit proof of car ownership/ spousal ownership for them to be entitled to the allowance. Failure to submit such will result in forfeiture of this benefit until such proof is submitted.

6.1.5 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.

6.1.6 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).

6.1.7 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.

6.1.8 All councillors and officials will only claim for kilometers travelled from the GA-SEGONYANA LOCAL premises.

6.1.9 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.

6.1.10 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.

6.1.11 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 shoud at least be 3 star.

6.3.5 **Subsistence allowance will be paid in terms of the prescribed SARS tarrifs, 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 tarrifs 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 tarrifs 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 Councillor or official. Travel for studies is specifically excluded under official duties. Officials and Councillos 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 of 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 cliams. 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 returnin 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.

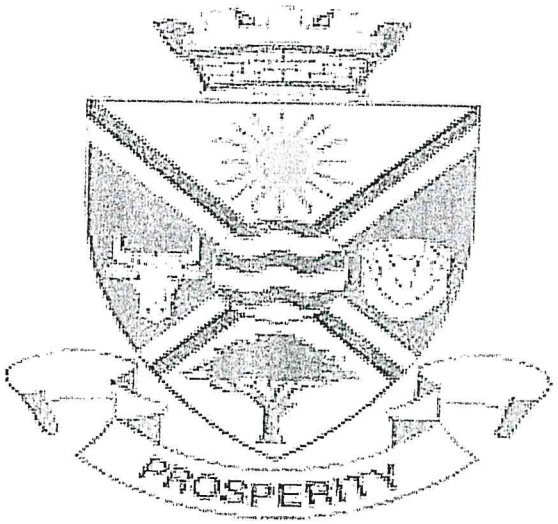
15.3 It is the responsibility of the Municipal Manager to bring the conflict between this policy and applicable legislation to the attention of the council and propose changes to eliminate such conflict.

## 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.

# 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.

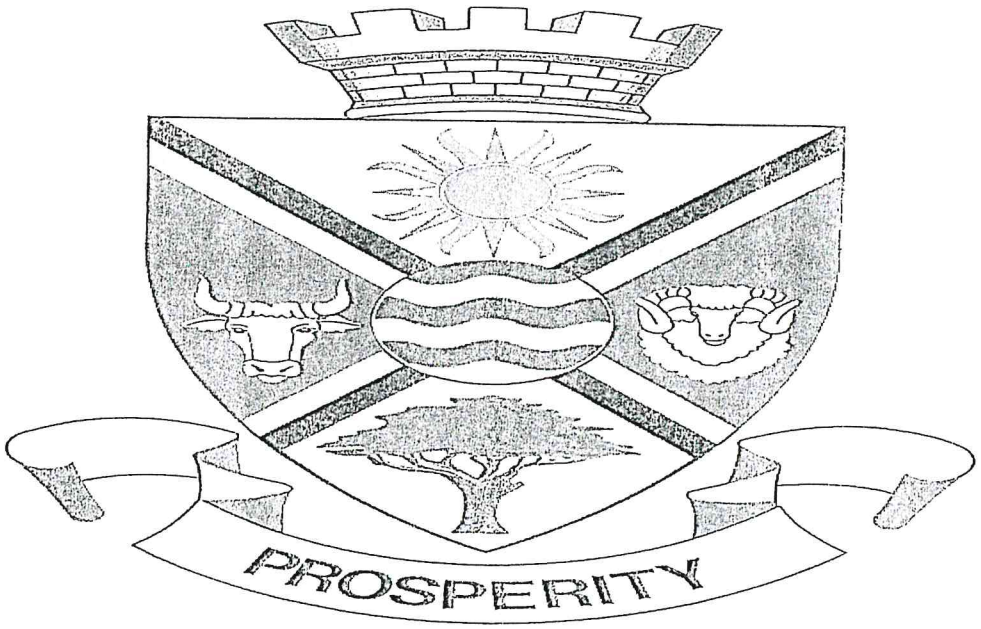
9. TITLE OF THE POLICY

This policy shall be called the Unclaimed Deposits Policy of the Ga-segonyana Local Municipality

# ANNEXURE 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 Subsides 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 | % | % | % |

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.

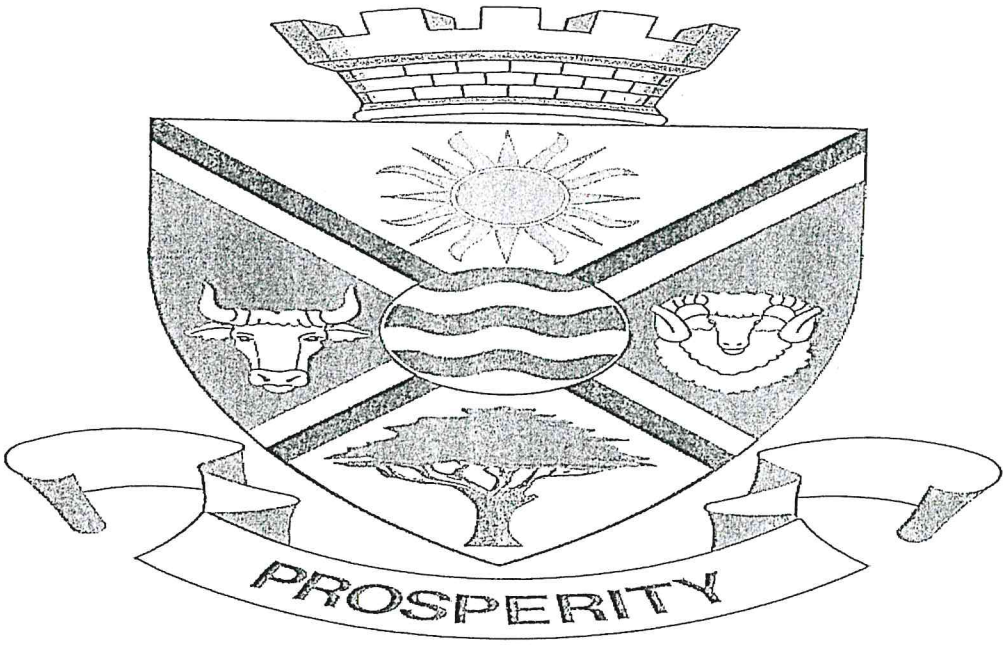
## APPENDIX A

## 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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8. REVIEW OF THE POLICY

## 1. INTRODUCTION

In terms of Chapter 6 of the Munisipal 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 posible 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 effictiveness; 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 financers 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 officier 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 officier 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 fo the proposed Borrowing, the purposes for which the Borrowing is to be incurred and particular of any security to be provided; and

(ii) invited the public, the National Treasury and the relevant proincial treasury to submit written comments or representations to the coucil 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 anticiapted 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 availabiltiy 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 minicipal 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 riht is not necessary for prividing the minimum level of basic municipal services is binding on the Municipality until the secured det 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 portfulje

The above report must be in the format provided by National Treasury for reporting and monitoring of Borrowing..

## 8. Review of the Policy

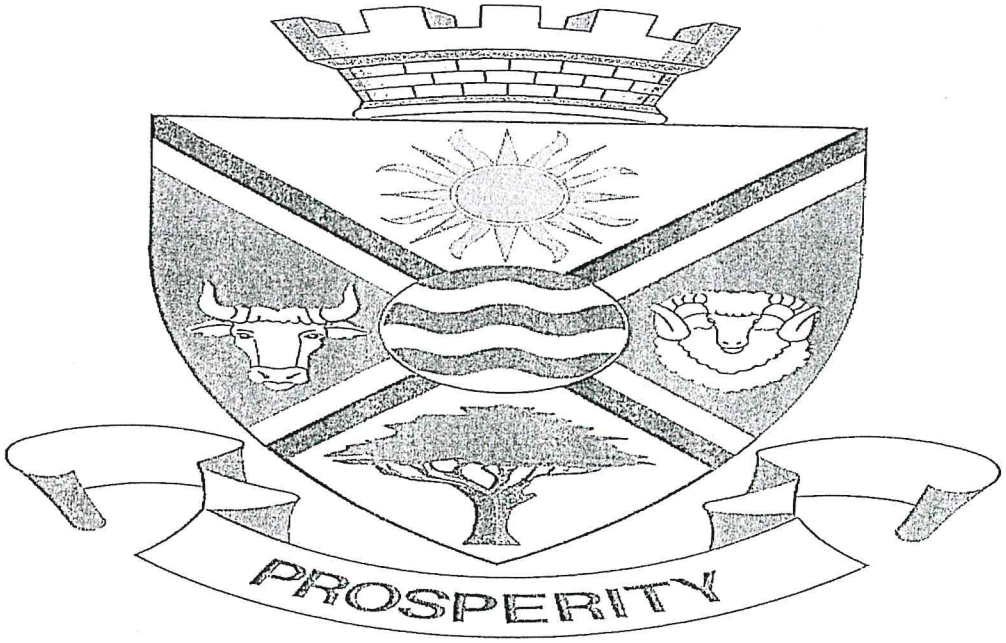
This Borrowing Policy is the only policy of the Municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

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

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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.

## 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.

## 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.

## 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.

## 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.

## 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.

- 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.

## 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.

### 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.

## 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.

## 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. COMMISIONS 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.

- 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 capitilised 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.

## 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

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

- 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

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

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.

## CASH MANAGEMENT AND INVESTMENT POLICY

### 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.

## 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 though 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.

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

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.)

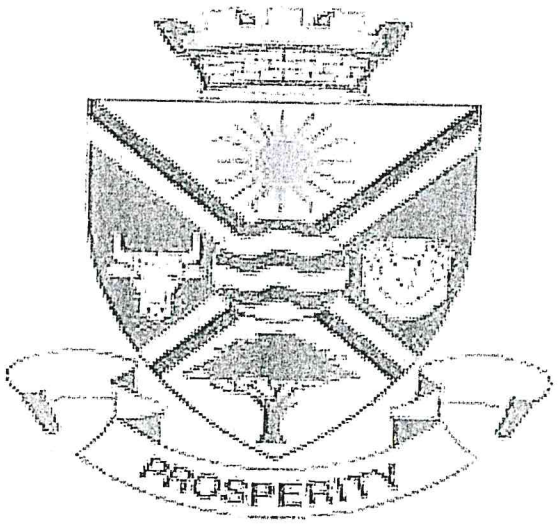
Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives 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.

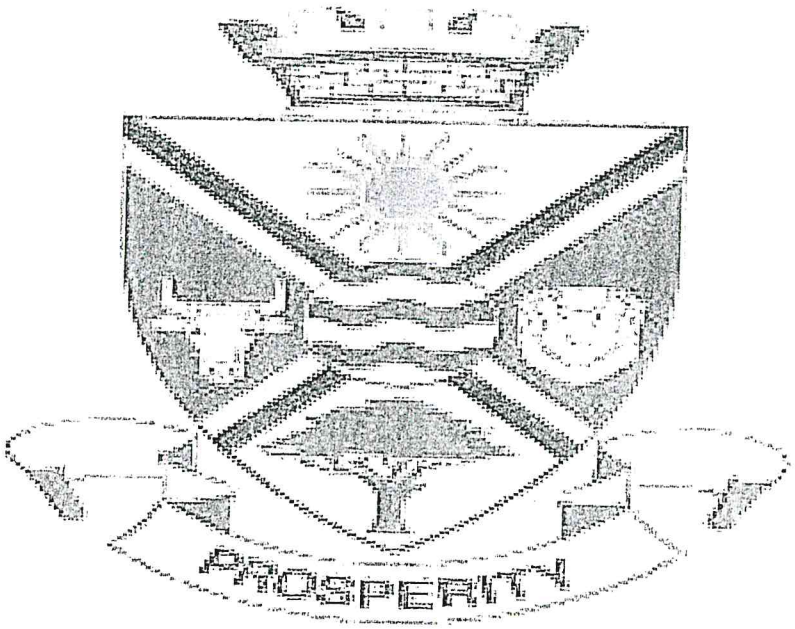
8. REVIEW

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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1. SCOPE
2. OBJECTIVE
3. TYPES OF LOSSES
4. CONTROL AND MONITORING
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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 it 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:<br>a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,<br>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, or<br>c) 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 recommend<br>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 |

**Comment [N1]:** Note to Municipality:
The positions indicated is only recommended and Municipality must change in accordance to positions on 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 |

**Comment [N1]:** Note to Municipality:
The positions indicated is only recommended and Municipality must change in accordance to positions on their organogram

| No | Name of Stage | End-of-Stage Deliverable | Person assigned the responsibility for approving or accepting end-of-stage deliverables |
|---|---|---|---|
| | | | / CFO accept |

Comment [N1]: Note to Municipality:
The positions indicated is only recommended and Municipality must change in accordance to positions on 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:

a) 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;
b) 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 Municipalitywith 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;

Comment [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 ADJUCATION

6.1.1.4.1. The Adjudication Committee must consist of at least four senior managers of the municipality which must include –

Comment [j3]: Depending on the capacity of the municipality – can use four senior "officials"

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

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 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 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 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<br>electrical, mechanical and engineering: R3 million<br>architectural: R5 million<br>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.

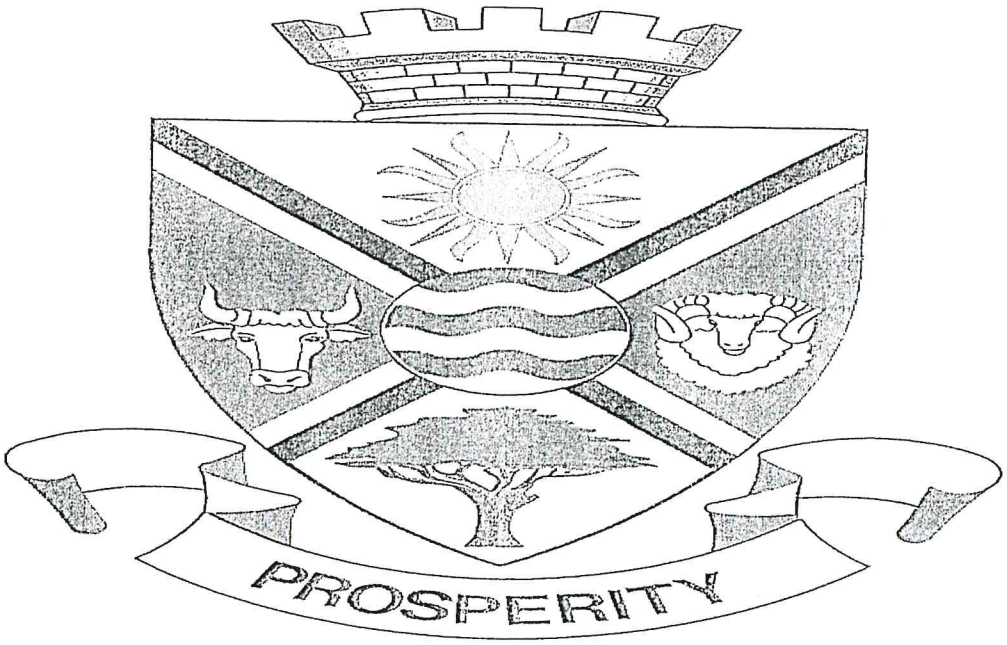
7.11.3. Access to a bill of quantities and rates should be provided in terms of the Act.

## 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.