

# **Witzenberg Municipality**

## **Budget Policies / Begrotings Beleide**

### **2018/2019—2019/2020**

*A municipality that cares for its community, creating growth and opportunity!*

Adopted by Council 29 May 2018—Item 8.1.6 Trim 05/01/17/



A municipality that cares for its community, creating growth and opportunity!

## Budget Related Policies 2018/2019



## INDEX

	PAGE
• Budget Policy	1
• Tariff Policy	18
• Property Rates Policy	34
• Credit Control and Debt Collection Policy	50
• Cash Management and Investment Policy	88
• Consumer Payment Incentive Policy	99
• Petty Cash Policy	103
• Indigent Policy	107
• Budget Virement Policy	117
• Asset Management Policy	131
• Funding and Reserves Policy	163
• Borrowing Policy	179
• Cellular telephone and data card policy	189
• Municipal Supply Chain Management Policy	194
• SCM Policy For Infrastructure Procurement	220
• Long Term Financial Plan Policy	297
• Transport- Travel- And Subsistence Allowance Policy	304
• Post-Employment Medical Aid Contribution Policy	312
• Infrastructure Investment Policy	315



## BUDGET POLICY

Date of implementation 01 July 2010

**TABLE OF CONTENTS**

	<b>Page No.</b>
1. DEFINITIONS	2
2. INTRODUCTION	7
3. OBJECTIVE OF THE POLICY	7
4. BUDGETING PRINCIPLES	7
5. BUDGET PREPARATION PROCESS	7
5.1. Formulation of the Budget	7
5.2. Public Participation Process	8
5.3. Approval of the Budget	8
5.4. Publication of the Budget	9
5.5. Service Delivery and Budget Implementation Plan (SDBIP)	9
6. CAPITAL BUDGET	9
7. OPERATING BUDGET	11
8. FUNDING OF CAPITAL AND OPERATING BUDGET	11
9. UNSPENT FUNDS / ROLL OVERS	11
10. BUDGET TRANSFERS / VIREMENTS	12
11. ADJUSTMENT BUDGET	12
12. BUDGET IMPLEMENTATION	13
12.1. Monitoring	13
12.2. Reporting	13
13. CONCLUSION	14

## 1. DEFINITIONS

### "Accounting Officer"

(a) means the City Manager;

### "Allocation", means

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

### "Approved budget," means an annual budget

- (a) approved by a municipal council in terms of section 24 of the MFMA, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a 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 or the environment;

"Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of section 3 of the municipal property rates Act;
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
- (e) a borrowing policy which must comply with Chapter 6 of the Act;
- (f) a funding and reserves policy;
- (g) a policy related to the long-term financial plan;
- (h) the supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;
- (i) any policies dealing with the management and disposal of assets;
- (j) any policies dealing with infrastructure investment and capital projects, including –
  - (i) the policy governing the planning and approval of capital projects; and
  - (ii) the policy on developer contributions for property developments;

- (k) the indigents policy of the municipality;
- (l) any policies related to the provision of free basic services;
- (m) any policies related to budget implementation and monitoring including –
  - (i) a policy dealing with the shifting of funds within votes;
  - (ii) a policy dealing with unforeseen and unavoidable expenditure; and
  - (iii) policies dealing with management and oversight;
- (n) any policies related to the managing electricity and water including -
  - (i) a policy related to the management of losses; and
  - (ii) a policy to promote conservation and efficiency;
- (o) any polices related to personnel including polices on overtime, vacancies and temporary staff;
- (p) any policies dealing with municipal entities, including –
  - (i) the service delivery agreement; and
  - (ii) the dividend preference of the municipality; and
- (q) any other budget-related or financial management policies of the municipality.

"**Budget transfer**" means transfer of funding within a function / vote.

"**Budget Year**" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"**chief financial officer**" means a person designated in terms of section 80(2) (a) of the MFMA;

"**councillor**" means a member of a municipal council;

"**creditor**", means a person to whom money is owed by the municipality;

"**current year**" means the financial year, which has already commenced, but not yet ended;

"**delegation**", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"**financial recovery plan**" means a plan prepared in terms of section 141 of the MFMA

"**financial statements**", means statements consisting of at least

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

"**financial year**" means a twelve months period commencing on 1 July and ending on 30 June each year

"**financing agreement**" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"**fruitless and wasteful expenditure**" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"investment", in relation to funds of a municipality, means

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"long-term debt" means debt repayable over a period exceeding one year;

"executive mayor" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

"municipal entity" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);



**"municipality"**

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

**"accounting officer"** means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

**"municipal service"** has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

**"municipal tariff"** means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

**"municipal tax"** means property rates or other taxes, levies or duties that a municipality may impose;

**"National Treasury"** means the National Treasury established by section 5 of the Public Finance Management Act;

**"official"**, means

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

**"overspending"**

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

**"past financial year"** means the financial year preceding the current year;

**"quarter"** means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

"**service delivery and budget implementation plan**" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate

- (a) projections for each month of
  - (i) revenue to be collected, by source; and
  - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

"**short-term debt**" means debt repayable over a period not exceeding one year;

"**standards of generally recognised accounting practice**", means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"**unauthorised expenditure**", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the 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;

"**virement**" means transfer of funds between functions / votes

"**vote**" means

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

## 2. 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 executive 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. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

## 3. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive 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 Witzenberg Municipality's IDP review and budget processes.

## 4. BUDGETING PRINCIPLES

- The municipality shall not budget for a cash deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- Witzenberg Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

## 5. BUDGET PREPARATION PROCESS

### 5.1. Formulation of the budget

- (a) The Accounting Officer with the assistance of the Chief Financial Officer, Manager Financial Administration and the Manager IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- (b) The executive mayor shall table the IDP process plan as well as the budget timetable to Council not later than 31 August of each year for approval (10 months before the start of the next budget year).

- (c) 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, Municipal Budget and reporting regulations as well as the guidelines set by National Treasury.
- (d) The Executive 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 political pressures facing the municipality. The executive mayor shall table the IDP priorities with the draft budget to Council.
- (e) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March of each year (90 days before the start of the new budget year) together with the draft resolutions and budget related policies.
- (f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- (g) The budget must be in the prescribed format by National Treasury, and must be divided into capital and operating budget.
- (h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (i) The expenses reflected in the budget must be divided into items.
- (j) The budget must contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated revenues and expenses for the current year and the two prior year actual revenue and expenditures.

## 5.2. Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

## 5.3. Approval of the budget

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution, must contain budget policies and performance measures be adopted.
- (c) 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.
- (d) The budget tabled to Council for approval shall include the following supporting documents:
  - i. draft resolutions approving the budget;
  - ii. and levying property rates, other taxes and tariffs for the financial year concerned;
  - iii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
  - iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
  - v. any proposed amendments to the IDP;
  - vi. any proposed amendments to the budget-related policies;
  - vii. the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;
  - viii. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
  - ix. particulars of the municipality's investments; and

- x. various information in regard to municipal entities under the shared or sole control of the municipality
- 5.4. Publication of the budget**
- (a) Within 14 days after the draft annual budget has been tabled, the Director must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.
- (b) The Chief Financial Officer must within 14 days after the draft annual budget is tabled:
- (i) 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.
  - (ii) ensure that a newspaper advertisement is placed that the draft budget is available at the Municipal offices and available for comments.
- 5.5. Service Delivery and Budget Implementation Plan (SDBIP)**
- (a) The Executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- (b) The SDBIP shall include the following components:
- (i) Monthly projections of revenue to be collected for each source
  - (ii) Monthly projections of expenditure (operating and capital) and revenue for each vote
  - (iii) Quarterly projections of service delivery targets and performance indicators for each vote
  - (iv) Ward information for expenditure and service delivery
  - (v) Detailed capital works plan broken down by ward over three years
- 6. CAPITAL BUDGET**
- (a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year.
- (b) The capital budget shall distinguish between replacement and new assets.
- (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 cash funded.
- (h) The capital expenditure shall be funded from the following sources:
- (i) **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.
- (ii) **External loans**
- External loans can be raised only if it is linked to the financing of an asset;
  - A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
  - The loan redemption period should not exceed the estimated life span of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
  - 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 or apportioned only between the departments or votes to which the projects relate.

### **Capital Replacement Reserve (CRR)**

- Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:
  - inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
  - interest on the investments of the CRR, appropriated in terms of the investments policy;
  - additional amounts appropriated as contributions in each annual or adjustments budget; and
  - interest on investments of unutilised grants;
  - only VAT claimed back on grants and subsidies; and
  - Sale of land and profit or loss on the sale of assets.
- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
- Transfers to the CRR must be budgeted for in the cash budget

### **Grant Funding**

- Non capital expenditure funded from grants
  - must be budgeted for as part of the revenue budget;
  - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
  - Capital expenditure must be budgeted for in the capital budget;
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.
- All unutilized grants received must be ring fenced and cash backed by means of an investment.

**7. OPERATING BUDGET**

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:
- (i) provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year,
  - (ii) provision for the impairment of debtors taking into account prior year, current year improvements and future improvement in debt collection percentages.
  - (iv) provision for the obsolescence and deterioration of stock in accordance with its stores management policy
  - (v) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
  - (vi) At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
- (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 of a fair sample of randomly selected accounts.
- (d) The operating budget shall reflect the impact of the capital component on:
- depreciation charges
  - repairs and maintenance expenses
  - interest payable on external borrowings.
  - other operating expenses.
- (e) The chief financial officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

**8. 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.

**9. 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, but except for 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 roll over of funds
- (d) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May.
- (e) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made at least 30 days (31 May each year) prior the end of that particular financial year.
- (f) No unspent operating budget shall be rolled over to the next budget year

## 10. BUDGET TRANSFERS AND VIREMENTS

Budget transfers and veriments are dealt with in terms of the councils Budget Veriment Policy.

## 11. ADJUSTMENT BUDGET

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

- (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 in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and reporting regulations section 23.
- (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 Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council.
- (e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
- (f) An adjustments budget must contain all of the following:
  - (i) an explanation of how the adjustments affect the approved annual budget;
  - (ii) appropriate motivations for material adjustments; and
  - (iii) an explanation of the impact of any increased spending on the current and future annual budgets.
- (g) Any inappropriate surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.
- (h) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (i) Unauthorised expenses may be authorised in an adjustments budget.
- (j) In regard to unforeseen and unavoidable expenditure, the following apply:
  - (i) the Executive mayor may authorise such expenses in an emergency or other exceptional circumstances in terms of Section 29 of the MFMA;
  - (ii) the authorized amount may not exceed 4 % of the approved own revenue included in the annual budget in respect of such unforeseen and unavoidable expenses;
  - (iii) these expenses must be reported by the Executive mayor to the next Council meeting;
  - (iv) the expenses must be appropriated in an adjustments budget; and
  - (v) Council must pass the adjustments budget within sixty days after the expenses were incurred.



## 12. BUDGET IMPLEMENTATION

### 12.1 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.
- (c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

### 12.2 Reporting

#### 12.2.1 Monthly budget statements

- (a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

**This report must reflect the following:**

- (i) actual revenues per source, compared with budgeted revenues;
  - (ii) actual expenses per vote, compared with budgeted expenses;
  - (iii) actual capital expenditure per vote, compared with budgeted expenses;
  - (iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
  - (v) the amount of allocations received, compared with the budgeted amount;
  - (vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
  - (vii) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
  - (viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
  - (ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- (b) The report to the National Treasury must be both in electronic format and in a signed written document.

#### 12.2.2 Quarterly Reports

- (a) The Executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

### 12.2.3 Mid-year budget and performance assessment

- (a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- (b) The Accounting officer must then submit a report on such assessment to the Executive mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- (c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

## 13. CONCLUSION

The Director Corporate Services 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;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.



# TARIFF POLICY

Date of implementation: 1 July 2010  
Reviewed by Council 20/04/2011  
Reviewed by Council 31/05/2012  
Reviewed by Council 29/05/2013  
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# Contents

1. Introduction.....	2
2. Purpose.....	2
3. Principles.....	2
3.1 Basic principles.....	2
3.2 The Municipal account.....	2
3.3 Credit control.....	2
3.4 Costs of the provision of services and the calculation of tariffs.....	3
3.5 Socio-economic factors.....	3
3.6 Egalisation of principles.....	3
3.7 Phasing in of new tariffs structures.....	3
3.8 Profit-taking.....	4
4. Tariffs structure.....	4
4.1 Electricity.....	4
4.1.1 Client groups.....	5
4.1.2 Tariffs structures.....	5
4.2 Water.....	6
4.2.1 Client groups.....	6
4.2.2 Tariffs structures.....	7
4.2.3 Calculation of tariffs during water restrictions.....	8
4.3 Refuse removal.....	9
4.2.1 Client groups.....	9
4.2.1 Tariffs structure.....	9
4.2 Sewerage.....	9
4.2.1 Costs structure and client groups.....	9
4.4.2 Water-closet system.....	10
4.4.3 Suction-drain system.....	10
4.5 Property rates.....	10
5. Diverse Tariffs.....	11
5.1 Resorts.....	11
5.2 Tariffs for halls.....	12
5.2.1 Tariff.....	12
5.2.2 Deposits.....	12
5.2.3 Letting periods.....	12
5.3 Fees for Cemeteries.....	13
5.4 Other.....	13
6. Rebates.....	14
7. Conclusion.....	15

## 1. Introduction

Every Municipality is responsible for the drafting and annual revision of a tariffs policy within the framework provided by the Act on Municipal Systems.

## 2. Purpose

The purpose of the policy is to ensure that:

- o the provisions of section 74 of the Act on Municipal Systems (Act 32 of 2000) are complied with;
- o a properly documented policy is in place to determine how the tariffs of the Witzenberg Municipality are to be determined; and
- o the tariffs are realistic and affordable.

## 3. Principles

The determination of tariffs should in all instances be based on sound economic principles. The Council's input is to ensure that the tariffs policy be reviewed and modified during the annual budgetary process.

### 3.1 Basic principles

The following principles, in addition to those enunciated in section 74 of Act 32 of 2000, were considered:

- o Equalisation within the shortest possible time
- o Affordability of service
- o Discouragement of wastage through pricing mechanisms
- o Ensuring adequate cash flow
- o Simple and understandable structure
- o Justifiable structure
- o Transparent structure

### 3.2 The Municipal account

The accounts for property rates and services may not be viewed in isolation. They must be approached collectively in order to determine the most affordable amount to be paid by different clients as a total account.

### 3.3 Credit control

It is not possible to successfully calculate a tariffs structure without considering the provisions of an effective credit control system. Similarly, a credit control system cannot function without a sound tariffs policy drafted in support of the problems of indigent persons.

### **3.4 Costs of the provision of services and the calculation of tariffs**

Tariffs must be capable of recovering the costs of the provision of a service. If a service should be run at a loss, there will by necessity have to be cross-subsidising from other services. It is therefore imperative that the tariffs for each service be accurately calculated and that the correct tariffs structure is accepted and implemented.

### **3.5 Socio-economic factors**

As a result of non-payment, local authorities are experiencing problems with their cash flow. One of the most important reasons for non-payment is the failure of tariffs structures to make proper allowance for the socio-economic circumstances of the communities involved. The implementation of pre-paid electricity, as well as “free” water and electricity, partially address this problem.

Clients have been divided into the following categories:

- o Clients unable to make any contribution towards the provision of services and who have to be subsidised fully.
- o Clients who can afford a partial contribution and who need only to be subsidised partially.
- o Users who can fully afford the services.

It is important to identify these categories and to plan the tariffs structures accordingly. The subsidies are derived from two sources, namely:

- o Contributions by the State – The State determine the extent of these contributions from year to year and may increase or lower the contribution, while the needs of the local authority increase annually.
- o Contributions from Municipal funds – These funds must be budgeted for.

Services may also be subsidised from a combination of the aforementioned funds.

The tariffs structure has been compiled in the following manner in order to make provision for subsidising:

- o Fully subsidised in terms of the Indigent policy
- o Full tariff payable.

### **3.6 Equalisation of principles**

In order to accomplish the total legalisation of tariffs, the tariffs must as far as possible be standardised throughout the whole municipality. Unique circumstances of a particular town will, however, play a role in preventing the tariffs from being 100% identical throughout. The principles for the determination of the tariffs should however, never vary.

### **3.7 Phasing in of new tariffs structures**

Time is needed for the phasing in of any new structure. In practice this will mean that different towns will be subjected to different tariff increases during the period of phasing in.

### 3.8 Profit-taking

The following goals for profit-taking are applicable within Witzenberg.

- o Electricity - Profit of 15%
- o Water - Profit of 15%
- o Sewerage - Profit of 0,5%
- o Refuse removal - Profit of 0,5%

### 3.9 Basic and Availability charges

Tariffs are set in a manner that will ensure sustainability of the service. Therefore basic services charges and service availability charges are levied on every site whether the service is utilized or not. The aim is to recover all fixed costs and a portion of the variable cost of the relevant service

## 4. Tariffs structure

### 4.1 Electricity

The following directions of the NER were considered during the drafting of the electricity tariffs structure:

- Tariffs must be economically sustainable.
- Clients must be given a choice of tariffs.
- The tariffs should be based on the costs of delivery, while also complying with the guidelines laid down in NRS 058.
- The tariffs must be transparent and the level of cross-subsidising must be known.
- The tariffs must be comparable with the tariffs of neighbouring suppliers
- The tariffs must be conveniently administered and must reflect the standard of service provision.

NERSA suggested five categories of tariffs to form the basis of the tariffs structure.

Name of Tariff	Tariff Components			
	Minimum levy (Rand/client/month)	Energy levy (Cent/ kWh)	Duration of use of energy tariff (Cent/ kWh)	Demand tariff (Rand/KVA)
Singular energy tariff		√		
Dual tariff	√	√		
Dual time of consumption tariff	√		√	
Tripartite tariff	√	√		
Tripartite time of consumption tariff	√		√	√

The structuring of the tariffs structure for the provision of electricity, with due consideration of the NER directions, is based on the following principles:

- Structure is divided into client groups;
- A costing structure is allocated to each client group;
- Five tariffs structures and components were used as per the NER's directions;
- Profit-taking of the existing tariffs in the new structure;
- Phasing in of existing tariffs into new structure.

#### 4.1.1 Client groups

The tariffs structure is divided into the following client groups:

- Residential clients
- Commercial clients
- Industrial clients
- Rural clients
- Large-scale clients

The classification of the client is left up to the client himself, and will largely be determined by the client's own needs.

- Street lights and sports bodies are identified as a special group.

#### 4.1.2 Tariffs structures

The following tariffs are used:

- Availability tariff

This tariff is levied on all vacant premises with the potential of being linked to the municipal services.<sup>1</sup>

The availability tariff is levied monthly or part thereof, provided that where a resident is connected after the 15<sup>th</sup> of a month, a levy will only be imposed on the following month's account.

- Singular energy tariff

This structure is only available to clients who are residential, street lights or sports bodies. The tariff is based on the quantity kwh consumed. Provision is made for the following varying sizes of connections:

- Pre-paid meters up to 1 X 40A
- Single phase
- Three-phase

It is up to the client to decide which connection meets his particular requirements. Depending on the consumption of kWh, the client should decide whether a single-phased tariffs structure will suit his requirements better than a dual tariffs structure. The cut-off point is approximately 1 000kwh consumption.

- Dual tariff

This tariffs structure is available for commercial, rural and residential clients. The tariff consists of a minimum component and an energy component.

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<sup>1</sup> Amended by council on 28 May 2014



The minimum levy is a levy per month, or portion thereof, provided that where a resident is connected after the 15<sup>th</sup> of a month, a levy will only be imposed on the following month's account.

The energy component is based on the kWh consumed from one reading to the next.

Two sizes of residential connections are provided:

- single phase
- three phase.

For the commercial client a distinction is made between single and three-phase supplies as well as between the following sizes per phase:

20A  
40A  
60A  
80A  
100A  
150A  
200A  
250A

Rural clients are divided into smaller than 25KVA, larger than 25KVA but smaller than 50KVA and larger than 50KVA to a maximum of 100KVA. The energy tariff is divided into two tariffs, i.e. fewer than 1000 units and more than 1000 units during a period measured from one reading to the next.

- Tripartite tariff

This tariffs structure is available to commercial, industrial, rural and large-scale clients.

As with the dual structure, the levies are based on a minimum as well as an energy levy. Additionally, however, a demand levy is imposed, based on the client's maximum demand during the previous month.

Within the groups, a distinction is made between:

Bigger than 1MVA high tension  
Smaller than 1MVA high tension  
Low tension

- Tripartite tariff for time of use

This tariffs structure is exactly the same as the tripartite tariff. It is also available to the same groups of clients. The only difference is that the time of consumption is linked to the tariff. The client has to apply for this tariff, usually following a thorough examination by him.

## **4.2 Water**

### **4.2.1 Client groups**

Recovery of the costs of the water service is not based only on consumption and the type of client, but also on the extent to which the client has access to the service and what the service must

provide for, as well as the actual consumption. The principle of equity is taken into account when the client groups are classified.

Clients are classified in accordance with the size of their connections to the main supply. By classifying the client in accordance with the size of the connection, a more equitable basis for contributions towards costs is obtained than when a tariff is simply allocated to a certain type of consumer. In this way, cross-subsidising is largely eliminated.

## 2.2 Tariffs structures

The following tariffs structures will be in existence:

- Availability levy on all vacant premises within the town areas linked to the water network.
- Minimum levies for every size of connection with distinction being made between the following sizes:

Size of connections	Factor
Vacant premises	1.64
0-25mm	1.00
26-50mm	11.45
51-80mm	28.92
81-100mm	45.78
101-150mm	102.41
Client consuming > 20 000 kl./per month	2228.92
Un-metered connections	3.37

- The consumption tariff is a block tariff, with the client able to choose between block A and B:

### • Block A

Consumption	Factor
0-6	0.32
7-30	0.92
31-60	0.92
61-300	0.92
Above 300	3.19

### • Block B

Consumption	Factor
0-300	1.00
301-1000	1.00
1001-8000	0.97
Above 8000	0.97

### • Block C (Only for consumers with consumption of over 20 000 kilolitres per month)

Consumption	Factor
0-20 000	0
Above 20 000	0.31

### • Block D (Only municipal consumption)

Consumption	Factor
Above 0	0.26

The block tariffs should encourage consumption, but discourage abuse, with Block A for residential clients and Block B for commercial clients. The choice nevertheless remains the client's. The third block is clients with consumption of over 20 000 kilolitres per month.

The above factors will be phased out as the water demand is growing in relation to the water supply.<sup>2</sup>

- Pre-paid water tariff – This tariff is calculated together with the other tariffs with a factor of 0.85.
- Municipal tariff – A departmental tariff based on the size of the connection is levied together with a consumption tariff. The departmental levy is aimed at the mere recovery of maintenance and running costs. In calculating this, loan costs, administrative levies, provision for bad debts and profit-taking are not considered.

The availability and minimum levies are levied monthly or part thereof, provided that where a resident is connected after the 15<sup>th</sup> of a month, a levy will only be imposed on the following month's account.

If a client on Block A consumption is higher than 300 kl of water per meter reading cycle, then that client may apply for relief if the client can proof that leakage existed. The relief application will be considered based on the following criteria:

- (a) Usage portion of the client indicated that the clients consumption prior to the leakage was less than 300kl and
- (b) Proof can be provided of the cost of repair of the leakage.

The account will be adjusted as follow:

A	=	Usage during period of meter reading (can be more than one period)
B	=	300
C	=	Tariff of Block A for consumption (61 – 300)

Formula: \_\_\_\_\_  $A - B \times C$

If a client's consumption increased due to a leakage, an average consumption can be charged for a period not exceeding 3 months on submission of proof that the leakage existed and was subsequently repaired.

That the authority for the approval of the relief be assigned to the Manager: Income or Chief Financial Officer.<sup>3</sup>

Clients are entitled to one claim in a financial year for relief for high water accounts caused by leaking pipes and fittings. Any additional applications can only be approved by the Chief Financial Officer.<sup>4</sup>

### 4.2.3 Calculation of tariffs during water restrictions

Council determine water saving tariffs with the annual budget and tariff approval process. Provision is made for moderate and extreme restrictions.

<sup>2</sup> Amended by Council resolution 30/05/2017

<sup>3</sup> Amended by Council resolution 27/8/2014

<sup>4</sup> Amended by Council resolution 30/05/2017

### 4.3 Refuse removal

No distinction is made between fixed and variable costs in the costing structure of refuse removal.

The total costs are divided amongst the clients in relation to the municipal valuation of residential property.

All other consumers are billed according to the size and number of wheelie bins removed.

#### 4.3.1 Client groups

The following client groups are distinguished:

- ◆ Non Residential Clients with one removal per week
- ◆ Non Residential Clients with two removals per week
- ◆ Non Residential Clients with three removals per week
- ◆ Residential Clients with one removal per week

#### 4.3.2 Tariffs structure

A minimum tariff equal to one removal per week is levied on all commercial and industrial clients, irrespective of whether the service is utilised or not.

All levies are levied monthly or part thereof, provided that where a resident is connected after the 15<sup>th</sup> of a month, a levy will only be imposed on the following month's account.

Non Residential Clients are compelled to use wheelie bins for refuse removal purposes. The minimum monthly charge will be equal to the charge for a 240L Wheelie Bin.

### 4.4 Sewerage

Different types of services provided by the Municipality are in existence in respect of sewerage. These include a water-closet system and a suction-drain system, primarily in Prince Alfred's Hamlet.

#### 4.4.1 Costs structure and client groups

In order to determine a basis for the equitable sharing of costs, each client group's share in the costing structure should be considered.

Potential dumping is used as the fairest method. The client is levied in accordance with his dumping potential. This is determined by the size of the water connection to the property. The client with a bigger connection has the ability to dump more water into the sewerage system. The quantity of water used is not taken into account.

As sewage sludge is based on the flow of water, the costs are largely incurred in respect of the dumping into the sewage works and the treatment of the substances.

The following categories are distinguished:

- <20mm water connection
- 21-50mm water connection
- 80mm water connection

100mm water connection  
150> water connection

A special category was created for Qbiqua Prison.

#### 4.4.2 Water-closet system

For the purposes of classification where one connection is in place but more than one usage are separately operated on the premises, each separate usage is regarded as a connection in accordance with the classification under which such usage would normally be connected, but not bigger than the connection that serves the premises.

Examples of these are flats, shopping centres where sub-letting takes place and a residential house with a separate flat.

All levies are a monthly levy, or part thereof, provided that where a resident is connected after the 15<sup>th</sup> of a month, a levy will only be imposed on the following month's account.

A monthly availability levy is imposed on vacant premises where the possibility exists for the connection of a water-closet system to the main sewerage system. The tariff is calculated by dividing the total loan costs by the number of clients (built-up and vacant premises) and to divide that figure by twelve.

#### 4.4.3 Suction-drain system

The suction-drain system is based on usage. Seepage systems which are never sucked make no contribution towards the costs of the service, although the service must still be provided. Fixed costs are accordingly recovered by consumer's tariffs and not by a fixed levy.

The suction-drain service structure entails the following:

- ◆ Availability levies are recovered monthly from all built-up properties in Prince Alfred's Hamlet.
- ◆ Variable costs which recover vehicle and personnel costs, are levied per suction service provided.
- ◆ A distinction is made between areas inside and outside the town area.

Based on vehicle costs, a kilometre tariff is recovered from clients outside the town area.

All levies, with the exception of the kilometre tariff and suction-drain service tariff, are imposed monthly or pro rata on both water-closet and suction-drain services, provided that where a resident is connected after the 15<sup>th</sup> of a month, a levy will only be imposed on the following month's account.

#### 4.5 Property rates

The general valuation roll for Witzenberg will come into effect on 1 July 2013.<sup>5</sup> The Municipality has at its disposal a rates policy which addresses the following:

- ◆ Criteria for differentiated property rates categories
- ◆ Differentiated tariffs

The purpose of property rates is to recover costs that cannot be redeemed by tariff-recovering services or direct revenue.

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<sup>5</sup> Amended by Council resolution 30/05/2017

## 5. Sundry Tariffs

The principles expounded for tariff construction, are also applicable to diverse tariffs.

### 5.1 Resorts

The full costs of the resorts must be recovered by the tariffs so that they place no further burden on the inhabitants of Witzenberg, while at the same time the utilisation of the resorts should be encouraged. The costs of the swimming baths within the resorts form part of the resorts' costs.

The following tariff groups are distinguished:

- Chalets or houses
- Caravan sites
- Semi-permanent camping sites
- Day visitors/motor vehicles
- Renting of conference facilities and halls

A distinction is also made in respect of seasons and the following seasons are defined:

#### High season

The period of 26 days during the December and January school holidays. Exact dates are determined from year to year

And

The four days coinciding with the Easter weekend during March or April.

#### In-season

From the commencement of the Western Cape's school holidays during September until the end of April, excluding the high seasons indicated above.

#### Off-season

All other days, excluding high season and in-season.

A further distinction exists between weekends and weekdays in the event of high season and in-season. No such distinction exists during the off-season.

The following rebates will be given:

- (a) Rebate of 25 % for bookings during weekdays except in school holidays of the Western Cape;
- (b) Pensioners qualifies for a rebate of 50 % in off-season;
- (c) Students accompanied by parents receives 12 % discount on day visit tariffs;
- (d) 50 % rebate for bookings of conference facilities where 5 or more chalets or houses are booked and occupied.

The Director: Community Services may use his/her discretion in terms of the delegation of powers to grant rebates other than stipulated above based on occupation rate and tourism potential.

## 5.2 Tariffs for halls

Tariffs are levied for the use of municipal halls (e.g. Community halls).

### 5.2.1 Tariff

All halls must be graded in accordance with their size, condition and available facilities, in the following grades:

A-grade	=	100%
B-grade	=	75%
C-grade	=	50%

The tariffs are determined on the basis of economical and equitable rent and are calculated as follows:

- Costs of personnel and equipment utilised from time to time during use of the hall and preparations and tidying-up activities, to be calculated on the same basis for each property.
- Letting of property, which will vary per grouping (e.g. eating utensils, etc.).
- Categories of functions.

### 5.2.2 Deposits

Sufficient deposits must be obtained for each letting to cover not only the Municipality's costs, but also to provide for breakage.

### 5.2.3 Letting periods

Letting is to be divided into morning, afternoon and evening sessions while preparation and tidying up are also provided. This division is retained and is defined as follows:

- Morning session - from 08:00 – 13:00, including preparation and tidying up
- Afternoon session – from 13:00 - 18:00, including preparation and tidying up.
- Evening session - from 18:00 – 24:00, including preparation and tidying up.
- A pro-rata contribution must be paid, in addition to the letting fee, for every hour or portion there of falling outside those indicated above.

### 5.2.4 Free of Charge

The Library Halls may be provided free of charge to the following organisations:

- Youth
- Charity
- Community
- Sport
- Education
- Government and

- Local management meetings of political parties

Community halls may be provided free of charge twice a quarter per party which are represented in the Council, which may be used for political meetings with the community. The political party must however give notice in writing to the Accounting Officer.

The provision is subject to the availability of the facility and will be dealt with accordingly to priority of application based on time of receipt of the application.

### **5.3 Fees for Cemeteries**

Cemetery fees are based on the following:

- Value of land
- Costs of preparing grave
- Maintenance in future
- Costs of digging and closing up of grave (should the family not do so)
- A premium on the sale of the grave to a non-inhabitant of Witzenberg.

As only one costing centre is used, the costs for the preparation of a grave must be the same at all cemeteries. Exceptions, however, may be made in relation to ground formation in respect of the digging of the grave. In order to provide for those who cannot afford the full tariff, a subsidy is to be calculated that is based on specific criteria, and be included in the Municipality's indigent policy.

### **5.4 Other**

The other diverse tariffs must, wherever possible, be determined on actual costs plus a percentage.



## 6. Rebates

The Municipality provides rebates to people or organisations that assist with economic growth within Witzenberg by the creation of new structures or by additions to existing buildings and the creation of job opportunities.

The person or organisation who wants to apply for the rebate must do so that the application speaks to the criteria extent and conditions as stipulated below:

### 6.1 Criteria

The person or organisation must create new or extent building and create new job opportunities. The investor must apply for the rebate and provide at least the following information in writing:

- Total cost of building plan
- Total number of jobs created after completion of building phase
- Number of Directors
- Number of Directors classified as historically disadvantaged individuals HDI

The criteria and weights for evaluating the application are as follow:

<b>Criteria</b>	<b>Points</b>
Improvement value of Buildings extended	60
Job opportunities	30
HDI points based on Directors	10

The allocation of points will be as follow:

#### Improvement value of extension

1 Point for every R80,000.00 of value added

#### Job opportunities

2 Points for every permanent new job opportunity created, and

1 Point for every seasonal job opportunity created

#### HDI points

The percentage of the number of HDI directors is used as a basis to allocate a point out of 10.

The applicant must score at least 50 points to qualify for a rebate. The applicant must be prepared that an audit be performed at any stage during the period when the rebates are allocated. If at any stage it is found the applicant do not meet the requirements then the rebate will be stopped immediately.

### 6.2 Extent

Two categories of rebates exist. A minimum of 75 points must be obtained to qualify for a category A rebate.

The rebate will be for a period of 5 years and will be as follow:

	<b>Rebate A Percentage rebate</b>	<b>Rebate B Percentage rebate</b>
Year 1	25 %	15 %
Year 2	20 %	12 %
Year 3	15 %	9 %

Year 4	10 %	6 %
Year 5	5 %	3 %

The rebate will be applicable on all service charges as well as property rates.

## 7. Conclusion

In drafting any tariffs policy, the principles enunciated above must be applied in order to determine the equity of the tariff. However, irrespective of the fairness or equity of the tariff, huge problems will be encountered with maintaining and continuing a service if the tariff is not affordable to a large portion of the clients.



## PROPERTY RATES POLICY

FORMULATED IN TERMS OF SECTION 3 OF  
THE LOCAL GOVERNMENT: MUNICIPAL  
PROPERTY RATES ACT, NO. 6 OF 2004

Date of Implementation: 01 July 2010
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***OUR VISION: "A MUNICIPALITY THAT CARES FOR ITS COMMUNITY,  
CREATING GROWTH AND OPPORTUNITIES"***

*Amended by Council 30/05/2017*  
*Amended by Council 18/05/2016*  
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*Amended by Council 28/05/2009*

**TABLE OF CONTENTS**

1.	LEGISLATIVE CONTEXT	3
2.	DEFINITIONS	3
3.	POLICY PRINCIPLES	4
4.	SCOPE OF THE POLICY	5
5.	APPLICATION OF THE POLICY	5
6.	CATEGORIES OF PROPERTY	6
7.	CATEGORIES OF OWNERS	8
8.	DIFFERENTIAL RATING	13
9.	EXEMPTIONS	14
10.	REDUCTIONS	15
11.	REBATES	16
12.	RATES INCREASES	15
13.	NOTIFICATION OF RATES	17
14.	PAYMENT OF RATES	17
15.	REGULAR REVIEW PROCESS	19
16.	SHORT TITLE	19
17.	ENFORCEMENT/IMPLEMENTATION	19

## 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) as amended, 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) as amended a 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
    - 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 municipality has the right to finance the affairs of the municipality by imposing, *inter alias*, 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.

## 2. DEFINITIONS

- 2.1 **Act** means the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) as amended.
- 2.2 **Municipality** means the municipal council for the municipal area of Witzenberg.
- 2.3 **Pensioners** mean natural persons 60 years old or older.<sup>1</sup>

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<sup>1</sup> Added on 30 May 2017

- 2.4 **All other terms** are used within the context of the definitions contained in the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) as amended.

### 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. 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, other than by way of an exemption, rebate or reduction provided for in this policy.
- 3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation.
- 3.4 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 or rebates.
  - (c) Sustainability  
Rating of property will be implemented in a way that:
    - i. it supports sustainable local government by providing a stable an buoyant revenue source within the discretionary control of the municipality; and
    - ii. supports local social economic development
  - (d) Cost efficiency  
Rates will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage removal) 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**

This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the applications of the various property rates are 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**

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. CATEGORIES OF PROPERTY**

**6.1** Criteria for determining categories of properties for the purpose of levying different rates and for the purpose of granting exemptions will be according to the permitted use of the property

**6.2** Categories of property for the municipality include-

- (a) residential properties
- (b) industrial properties
- (c) business and commercial properties
- (d) agricultural properties
- (e) mining properties
- (f) properties owned by an organ of state and used for public service purposes
- (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."<sup>2</sup>

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<sup>2</sup> Amended by Council on 27/02/2017 in terms of amendments to the Act

**7. CATEGORIES OF OWNERS**

7.1 Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the-

- (a) indigent status of the owner of a property
- (b) sources of income of the owner of a property
- (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. any other serious adverse social or economic conditions;
- (d) owners of residential properties with a market value below a determined threshold;
- (e) owners of agricultural properties who are *bona fide* farmers; or
- (f) pensioners<sup>3</sup>

7.2 In determining whether a property forms part of a particular category indicated below, the council shall have regard to the actual zoning to which the relevant property is put. Vacant land is included in its own category, irrespective of the permitted use of the property. A change in zoning may result in a change in the category of the property. In table 1 the different usage is listed against the rating categories.

7.3 Business and/or commercial improvements on agricultural properties will be rated separately from the rest of the property according to the zoning of the improvement.

**Table 1**

Rating categories	Use codes
<b>Residential Property</b>	GEN RES
	GROUP HOUSE
	RES
	RES 1
	RES 2
	RES 3
	RES 4
	SIN RES

<sup>3</sup> Added on 30 May 2017



<b>Rating categories</b>	<b>Use codes</b>
	RESORT 2
	AGRI 1/ROS 2
<b>Informal Settlements</b>	INF RES
<b>Business/Commercial Property</b>	BUS
	BUS 1
	BUS 2
	BUS 4
	BUS 5
	CEMETERY
	COM
	EDUC
	GUEST HOUSES
	INST
	INST 1
	INST 2
	INST 3
	LOC BUS
	OPEN S1
	OPEN S 2
	OPEN S 3
	PARKING
	RES 5
	RESORT 1
	ROS 1/ OPEN S 3
<b>Industrial property</b>	IND
	IND 1
	IND 3
<b>Agricultural Properties:</b>	
<b>Bona fide Agricultural</b>	AGRI 1/RES 1
	AGRI 1/RES 2
	AGRI 1/SERVT
	AGRI 1
	AGRI 1/OS 2
	AGRI 1/OS 3
	AGRI 1
	AGRI 1/INST <sup>4</sup>
	AUTH
<b>Agricultural / Business / Residential</b>	AGRI 1/BUS 2/RES 5
	AGRI 1/ROS 1/RES 5
	AGRI 1/BUS 2
	AGRI 1/RES 5

<sup>4</sup> Updated by Council 29/05/2013 with effect from July 2012

Rating categories	Use codes
<b>Agricultural / Industrial</b>	AGRI 1/AGRI 2
	AGRI 1/IND 1
	AGRI 1/IND 2
	AGRI 2
<b>State Owned Property</b>	AGRI 1
	AUT
	BUS
	EDUC
	GEN RES
	INST
	INST 1
	INST 2
	INST 3
	LOC BUS
	OS 1
	OS 2
	OS 3
	OS
	RES
	RES 1
	SERV
	SIN RES
	SPORT
	TRANS
TRANS 1	
TRANS 2	
TRANS 3	
UNDET	
<b>Municipal Property</b>	AGRI 1
	AUT
	BUS
	EDUC
	GEN RES
	INST
	INST 1
	INST 2
	INST 3
	LOC BUS
	OS 1
	OS 2

<b>Rating categories</b>	<b>Use codes</b>
	OS 3
	POS
	RES
	RES 1
	SERV
	SIN RES
	SPORT
	TRANS
	TRANS 1
	TRANS 2
	TRANS 3
	UNDET
<b>Vacant Land - Urban</b>	VACANT
	POS
<b>Public Service Infrastructure</b>	SERV STAT
	TRANS
	TRANS 1
	TRANS 2
	UNDET

## 8. DIFFERENTIAL RATING

- 8.1 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 social and economic development of the municipality.
- 8.2 Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category.
- 8.3 Pensioners may qualify for a rebate of 50% on residential property in terms of councils' policy.

#### 8.4 Rates ratios to be applied

The rates ratio in relation to residential properties to be applied on non-residential properties is set in the table 2 below:

**Table 2:**

<b>Categories</b>	<b>Ratio in relation to residential Property</b>
<b>Residential Property:</b>	
Bona Fida residential	1:1
Informal settlements	1:0.9
<b>Business / Commercial property:</b>	1:1.81
<b>Industrial Property</b>	1:1.76
<b>Agricultural Properties:</b>	
Bona Fida Agricultural	1:0.12
Agricultural/Business/Residential	1:1.13
Agricultural / Industrial	1:1.13
<b>State owned Property</b>	1:1.58
<b>Vacant Land – Urban</b>	1:1.50
<b>Public Service Infrastructure</b>	1:0.25
<b>Building clauses</b>	1:1.25

## 9. EXEMPTIONS

9.1 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.
- (b) Public Benefit Organisations  
The following Public Benefit Organisations may apply for the exemption of property rates subject to producing a 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):

- i. Welfare organisations  
Properties owned by not for gain institutions or public benefit organisations and are solely use for the benefit of the institution and or for charitable purposes and performs welfare and humanitarian work as contemplated by part 1 of the ninth Schedule of the Income Tax Act (Act 58 of 1962). Council may grant a rebate as of 100% in the case of Inst. 2 uses and 50% in the case of Inst. 3 users.
- ii. Animal welfare  
Property owned or used by institutions/organisations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.

- (c) In terms of section 17(i) of the MPRA, the council do not levy a rate on the property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community who officiates at services at that place of worship.

**(The exclusion lapses if not used for the purposes as indicated above.)**

9.2 Exemptions will be subject to the following conditions:

- (a) all applications must be addressed in writing to the municipality;
- (b) a SARS tax exemption certificate must be attached to all applications;
- (c) the municipal manager or his/her nominee must approve all applications;
- (d) applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought; and
- (e) the municipality retains the right to refuse exemptions if the details supplied in the application form were incomplete, incorrect or false.

## 10. REDUCTIONS

10.1 A reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act will be granted where the value of a property is affected by-

- (a) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
- (b) any other serious adverse social or economic conditions

- 10.2 The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.
- 10.3 All categories of owners can apply for a reduction in the rates payable as described above

## 11. REBATES

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, based on its Local, Social and Economic Development Policy and as included in the council tariff policy.
- ii. Rebates will be granted once an application was received and approved by the municipal manager or his/her delegate.

(b) Conservation Land

No rebates are granted to privately owned properties whether designated or used for conservation purposes.

(c) Historical or heritage properties

No rebates are granted other than residential rebates if appropriate.

(d) Cemeteries.

Privately owned cemeteries received a rebate of 50% and must be exclusively be used for the purpose of a cemetery.

(e) Residential Properties.

The Municipality will not levy a rate on the first value up to R100 000 of the market value as per the Valuation Roll of Residential Properties, as follows:

- on the first R15 000 on the basis set out in Section 17(1)(h) of the MPRA; and
- on the balance of the market value up to R85 000 in respect of residential properties, as an important part of the Councils

indigent relief measures aimed primarily at alleviating poverty amongst those persons owning low-value properties.<sup>5</sup>

- (f) Other properties: informal settlements; industrial properties; business and commercial properties. (Refer to paragraph 6.2)

The Municipality will not levy a rate on the first value up to R100 000 of the market value as per the Valuation Roll of informal settlements, industrial properties or business and commercial properties as categorise in paragraph 6.2.<sup>6</sup>

- (g) i) Pensioners may qualify for a rebate of 50% on residential property.
- ii) Rebates will be granted once an application was received and approved by the municipal manager or his/her delegate.<sup>7</sup>

## 12. MULTIPLE-USE PROPERTIES

If a portion of farms and smallholdings is being used for commercial or industrial purposes and where the municipality considers it reasonable to apply the category of multiple-use properties, the apportionment of value for each distinct use of the property will be calculated by the municipal valuer and used for billing at the applicable rate. This also caters for wind and solar energy plants.<sup>8</sup>

## 13. RATES INCREASES

- (a) The municipality will consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.
- (b) Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- (c) Affordability of rates to ratepayers.
- (d) All increases in property rates will be communicated to the local community in terms of the municipality's policy on community participation.

## 14. NOTIFICATION OF RATES

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<sup>5</sup> Subsection (e) added by Council 18/05/2016

<sup>6</sup> Subsection (f) added by Council 18/05/2016

<sup>7</sup> Paragraph (g) - added by Council 30/05/2017

<sup>8</sup> Paragraph 13 added by Council 18/05/2016

- (a) The municipality will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days' notice will be based on the new rates.
- (b) A notice stating the purport of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality at places installed for that purpose.

## 15. PAYMENT OF RATES

- 15.1 Liability for and payment of rates is governed by the MPRA and the Municipality's Credit Control and Debt Collection Policy and By-Laws as well as any other applicable legislation.<sup>9</sup>
- 15.2 Ratepayers may choose, not later than 31 August in any financial year, or such later date in such financial year as may be determined by the municipal manager or his/her nominee, between paying rates annually in one instalment on or before 30 September or in twelve equal instalments on or before the 15th day of the month following on the month in which it becomes payable.<sup>10</sup>
- 15.3 An owner is liable for payment of a rate whether or not that person has received a written account. The furnishing of accounts for rates in terms of this section is subject to section 102 of the Municipal Systems Act.<sup>11</sup>
- 15.4 A rate levied by a municipality on a sectional title unit is payable by the owner of the unit.<sup>12</sup>
- 15.5 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, debt collection and indigent policy of the municipality.
- 15.6 If a property owner, who is responsible for the payment of property rates in terms of this policy, fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and indigent policy of the Municipality.
- 15.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.

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<sup>9</sup> Paragraph 16.1 added by Council 18/05/2016

<sup>10</sup> Paragraph 16.2 amended by Council 18/05/2016

<sup>11</sup> Paragraph 16.3 added by Council 18/05/2016

<sup>12</sup> Paragraph 16.4 added by Council 18/05/2016



- 15.8 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.
- 15.9 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

## **16. CLEARANCE CERTIFICATES**

- (a) Are issued in terms of Section 118 (1) (a) of the Local Government: Municipal Systems Act, 2000, Act No. 32 of 2000, and will be valid for a period of 60 days from the date it has been issued.
- (b) Are issued within 7 working days after receipt of the applicable fees and receipt of the clearance application form.
- (c) Are issued when all amounts due in connection with that property for municipal fees, surcharges, property rates and other municipal taxes, levies and duties have been fully paid.
- (d) All rates in respect of the financial year when the transfer is reasonably expected are immediately payable.
- (e) If an amount liable for rates and services in respect of a property is outstanding and the property needs to be transferred, a rates clearance certificate will only be issued upon payment of the current account and after completion of an agreement by the new owner for any municipal services in arrears, subject to Council's Credit Control and Debt Collecting Policy in respect of the following transfers:
- (i) Transfer of a property from the Municipality to the new owner;
  - (ii) Transfer of a property from one spouse to the other;

(iii) Transfer of a property from the owner (parent) to a child.<sup>13</sup>

## **17. REGULAR REVIEW PROCESSES**

The rates policy will be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives and with legislation.

## **18. SHORT TITLE**

This policy is the Property Rates Policy of the Witzenberg Municipality.

## **19. ENFORCEMENT/IMPLEMENTATION**

This policy has been approved by the Municipality and came into effect from 1 July 2009.

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<sup>13</sup> Paragraph 17 added by Council 18/05/2016



# CREDIT CONTROL & DEBT COLLECTION POLICY

***OUR VISION: "A MUNICIPALITY THAT CARES FOR ITS COMMUNITY, CREATING  
GROWTH AND OPPORTUNITIES"***

Date of implementation: 01 July 2008

Reviewed and amended by Council 28/05/2014  
Reviewed by Council 29/05/2013  
Reviewed by Council 31/05/2012  
Reviewed by Council 28/09/2011  
Reviewed by Council 20/04/2011  
Reviewed by Council 15/06/2010  
Council 28/05/2009 Item 8.1.2  
Council 04/08/2008

# INDEX

## Section Details

- Preamble
- 1 Definitions
- 2 Introduction
- 3 Objectives
- 4 Underlying Principles of this Policy
- 5 Role and Responsibility of Municipal Manager
- 6 Role and Responsibility of Councillors
- 7 Duties and Functions of Ward Councillors
- 8 Duties and Functions of Communities, Ratepayers and Residents
- 9 Expected Debtor Payment Levels
- 10 Area of Application
- 11 Application for Services and Service Agreements
- 12 Deposits and Guarantees
- 13 Access to Property to Read Meters
- 14 Accounts and Billing
- 15 Metering of Consumable Services
- 16 Valuations of Properties

- 17 Property Rates
- 18 Interest on Arrears and Other Penalty Charges
- 19 Agreements and Arrangements for Payment of Arrear Accounts
- 20 Allocation of Payments and Part-Payments
- 21 Dishonoured and Other Unacceptable Cheques/Debit Orders
- 22 Queries in respect of Accounts
- 23 Unresolved Customer Queries
- 24 Disconnections/Restrictions of Service
- 25 Reconnection/Reinstatement of Terminated/Restricted Services
- 26 Period for Reconnection or Reinstatement
- 27 Procedure for Debt Collection and Write-off
- 28 Illegal Tampering and/or Theft of Services
- 29 Unoccupied Premises
- 30 Clearance Certificates
- 31 Municipal Staff
- 32 Reporting and Performance Management
- 33 Communication of Policy to Consumers
- 34 By-laws to be adopted
- 35 Enforcement of Other Legislation
- 36 Commencement date

**PREAMBLE**

WHEREAS Section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS Section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS Section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- the promotion of the efficient, economic and effective use of resources;
- the provision of services impartially, fairly, equitably and without bias; and
- the fact that people's needs must be responded to.

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

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

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

AND WHEREAS Section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

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

The Witzenberg Municipal Council, at its meeting of 28May 2008adopts this policy to be known as: The Witzenberg Municipality Credit Control and Debt Collection Policy". This policy replaces that policy in its entirety.

## 1. DEFINITIONS

In this policy, unless the context indicates otherwise, the word or expression has the following meaning:

- 1.1 **"Accounting Officer"** The Municipal Manager appointed in terms of Section 82(1) (a) or (b) of the Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 1.2 **"Actual consumption"** means the measured consumption of a consumer of a municipal service during a specified period;
- 1.3 **"Arrangements"** means a formal agreement entered into between the Council and a debtor where specific repayment parameters are agreed to.
- 1.4 **"Arrears"** mean any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;
- 1.5 **"Average consumption"** means the deemed consumption of a customer of a municipal service a specific period, which consumption is calculated by adding the recorded monthly average consumption and the current actual consumption and dividing the total by 2;
- 1.6 **"Bank guarantee"** refers to an undertaking by a registered financial institution whereby it guarantees a specified maximum amount to be paid if the principal debtor (the consumer) fails to pay;
- 1.7 **"Calculated amounts"** refers to the amounts calculated by the Chief Financial Officer, in consultation with the relevant technical departments, to be due to the Council by a consumer in respect of the supply of the applicable municipal services for any period during which the exact quantity of the supply cannot be determined accurately for reasons beyond the control of the Chief Financial Officer. This shall normally be based on the average consumption figures, if available, for the service rendered to the customer **or**, failing the availability of such data, on the average consumption figures applicable to one or more properties of similar size and nature in the area in which the customer resides or carries on business;
- 1.8 **"Charges"** refers to charges incurred by the municipality to collect arrears;
- 1.9 **"Chief Financial Officer"** refers to the person so designated in terms of Section 75(2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorised to act on behalf of such person and shall have the same meaning as Strategic Executive Manager: Finance or City Treasurer;
- 1.10 **"Consolidated account"** refers to one combined account for all municipal services, housing rents and instalments, rates and basic charges payable, and "consolidated bill" has a corresponding meaning;
- 1.11 **"Consumer"** means a customer;

- 1.12 **“Conventional electricity and water meters means** “electricity and/or water meters, as the case may be, which are used to determine the supply of electricity and water and which are normally read on a monthly or other fixed interval basis;
- 1.13 **“Council”** refers to The Witzenberg Municipality and its successors in law and includes the Council of that municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to this policy;
- 1.14 **“Councillor”** refers to any member of a municipal council;
- 1.15 **“Credit Control** “refers to all functions relating to the collection of monies owed by customers and users of municipal services.
- 1.16 **“Customer”** refers to any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
- 1.17 **“Defaulter”** refers to any customer owing the municipality money in respect of rates and / or service or sundry charges; not paid on the due date as stipulated on the account or on the agreement. The owner will be held responsible for occupiers / tenants, arrear accounts, for water, electricity and any other service or sundry accounts;
- 1.18 **“Deposit”** refers to a minimum sum of money specified by the Chief Financial Officer and payable by the consumer to the Municipality prior to occupation of the property or prior to the date on which services to the property are required;
- 1.19 **“Due date”** in the absence of any express agreement in relation thereto between the Council and the customer, refers to the date stipulated on the account and determined from time to time as the last date on which the account must be paid;
- 1.20 **“Equipment”** refers to any building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;
- 1.21 **“Estimated** “consumption arises when no actual reading can be taken and is equivalent to the existing average consumption;



- 1.22 **"Existing"** customers refers to the customers who have already entered into an agreement for the supply of municipal services;
- 1.23 **"Financial year"** refers to the period starting from 1 July in a year to 30 June the next year;
- 1.24 **"Fees"** refers to expenses incurred by the municipality to collect arrears;
- 1.25 **"Implementing Authority"** means the Municipal Manager or his nominee, acting in terms of Section 100 of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000);
- 1.26 **"Interest"** is a charge levied with the same legal priority as service fees and calculated at a rate determined by Council from time to time on all arrear monies;
- 1.27 **"Meter"** audits refer to an investigation to verify the correctness of the consumption and supply of electricity and water;
- 1.28 **"Municipality"** when referred to as:
- (a) a corporate body, means a municipality as described in Section 2 of the Municipal Systems Act, 2000 (Act No. 32 of 2000);
  - (b) A geographic area means a municipal area determined in terms of the Local Government Municipal Demarcation Act, 1998 (Act No. 27 of 1998).
- 1.29 **"Municipal Manager"** means the person appointed as Municipal Manager in terms of Section 82 of the Local Government Municipal Structures Act, 1998, (Act No. 117 of 1998) and includes any person acting in that position or to whom authority has been delegated;
- 1.30 **"Municipal services"** refers to any services provided by the municipality or any authorised and contracted service provider, available or applied for, or provision made for any service, for which it is entitled to charge a fee or formulate a tariff, payable by a customer or user, thereof;
- 1.31 **"Normal office hours"** means the hours when the Chief Financial Officer's offices are open to the public from Mondays to Fridays, excluding public holidays, Saturdays and Sundays;
- 1.32 **"Official"** refers to an employee of The Witzenberg Municipality
- 1.33 **"Occupier"** means any person, who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

- 1.34 **"Owner"** means:
- (a) The person in who from time to time is vested the legal title to premises, which title is registered at the Deeds Office;
  - (b) In a case where the person in whom the legal title is vested is insolvent or deceased, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
  - (c) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;
  - (d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;
  - (e) In relation to
    - i. A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or
    - ii. A section, as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;
  - (f) Any legal person including but not limited to
    - i. A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a Trust, a Closed Corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;
    - ii. Any department of State;
    - iii. Any Council or Board established in terms of any legislation applicable to the Republic of South Africa;
    - iv. Any Embassy or other foreign entity;
- 1.35 **"Premises"** includes any piece of land, the external surface boundaries of which are delineated on-
- (a) A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); or
  - (b) A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

- 1.36 **"Rates"** refers to property rates on property situated in the municipal area, any other tax, duty or levy imposed by the municipality;
- 1.37 **"Service agreement"** refers to an agreement for the consumption of electricity and/or water and other services as determined from time to time;
- 1.38 **"Terminated account"** refers to:
- (a) the final account for services after the customer has left the premises, whether or not the customer has given notice to terminate the supply of service; OR
  - (b) the final account for services if the customer has contravened the service provisions of this policy and attendant municipal bylaws;
- 1.39 **"Variable flow-restricting device"** refers to a device that is coupled to the water connection that allows the water supply to be restricted or closed;
- 1.40 **"Visitation fee"** refers to the fee charged for attendance and/or disconnection/reconnection of an electricity/water supply when the supply has been disconnected due to non-payment and/or tampering, or where access to disconnect/restrict has not been gained, which fee shall be
- 1.41 **"Voluntary garnishee order/emoluments order"** refers to a court order for the deduction of an amount of money from the salary or other income of a customer.

## 2. INTRODUCTION

- 2.1. The Council cannot develop the local economy and provide acceptable services to its residents unless it receives payment, in full, of all bills raised for the services that it provides.
- 2.2. The municipality must develop, maintain and implement a credit control and debt collection policy that is consistent and complies with the relevant legislation.
- 2.3. In regard to payments expected from registered indigents and Council tariffs, this policy is to be read in conjunction with The Witzenberg Municipality Indigent Policy and The Witzenberg Municipal Tariff Policy.

## 3. OBJECTIVES

The objectives of the Credit Control and Debt Collection Policy are:

- 3.1 To define a framework within which the municipality can develop an effective procedure to bill and collect its revenues;
- 3.2 To ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (Act No. 32 of 2000), and other applicable legislation;
- 3.3 To maintain and implement a credit control and debt collection policy, which is consistent and complies with Section 97 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).
- 3.4 To ensure that the municipality develops credit control procedures and mechanisms that are considered to be consistent, fair and effective to all its consumers.

#### **4. UNDERLYING PRINCIPLES OF THIS POLICY**

- 4.1 The administrative integrity of the municipality must be maintained at all times. The democratically elected councillors are responsible for policymaking, while it is the responsibility of the Councillors, Municipal Manager and all staff to ensure the execution of these policies.
- 4.2 This policy shall take effect and be enforceable from the date of approval thereof by Council.
- 4.3 The collection process must be cost-effective and enforcement of payment for services rendered must be prompt, consistent and effective.
- 4.4 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 and/or restrictions, penalties, loss of rights and criminal prosecutions.
- 4.5 All Witzenberg Municipality employees shall:
  - 4.5.1 Embrace the principles of Batho Pele and treat all debtors with dignity and respect at all times
  - 4.5.2 Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Access to Information Act.

#### **5. ROLE AND RESPONSIBILITY OF MUNICIPAL MANAGER**

- 5.1 In terms of Section 100 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Municipal Manager is responsible for implementing the credit control and debt collection policy. In line with this, the Municipal Manager is to perform the following:
  - 5.2 install and maintain appropriate accounting system.
  - 5.3 bill customers.
  - 5.4 demand payment on due dates.
  - 5.5 raise penalties and interest for defaulters.
  - 5.6 appropriate payments received.

- 5.7 collect outstanding debt.
- 5.8 provide different/alternate payment methods.
- 5.9 determine credit control and debt collection measures.
- 5.10 determine all relevant work procedures for, inter alias, public relations, arrangements, disconnection/reconnection of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 5.11 instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).
- 5.12 appoint staff to execute Council's policy and by-laws.
- 5.13 determine internal control procedures.
- 5.14 monitor contracts with service providers in connection with credit control and debt collection.
- 5.15 The Municipal Manager may delegate these responsibilities to the Chief Financial Officer. However, this delegation does not absolve the Municipal Manager from being held accountable for implementing this policy.
- 5.16 The Municipal Manager is to report monthly to the Executive Committee, and quarterly to the Council, on the actions taken in terms of this policy, and on the payment levels for the periods concerned.
- 5.17 Although the Municipal Manager is held accountable for implementing this policy, it is the responsibility of all officials of the municipality to promote and support this credit control and debt collection policy.

## **6 ROLE AND RESPONSIBILITY OF COUNCILLORS**

- 6.1 To approve budgets consistent with the needs of communities, ratepayers and residents.
- 6.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- 6.3 To facilitate sufficient funds to give access to basic services for the poor.
- 6.4 To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- 6.5 To, together with the Chief Financial Officer, set an annual improvement target for debt collection (refer Section 9), in line with acceptable accounting ratios and the ability and performance of any appointed external service providers.
- 6.6 To approve a reporting framework for credit control and debt collection.
- 6.7 To consider and approve by-laws to give effect to the Council's policy.
- 6.8 To revise the budget should Council's targets for credit control and debt collection is not met.
- 6.9 To take disciplinary and/or legal action against Councillors, officials and agents who do not execute Council policies and by-laws, or act improperly in terms of such policies.
- 6.10 To approve a list of suitably qualified service providers that will act on behalf of Council in all collection and legal matters relating to debt collection.
- 6.11 To provide sufficient capacity in the Municipality's Budget and Treasury Office for credit control and debt collection or, alternatively, to appoint service providers or debt collection agents to assist with the credit control and debt collection procedures.
- 6.12 To assist the Municipal Manager in the execution of his duties, if and when required.
- 6.13 To provide funds for the training of staff in connection with credit control and debt collection.
- 6.14 In terms of Section 99 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Executive Committee, is to monitor and supervise the application of this policy, and is to report to Council on the extent and success of the municipality's credit control actions.

- 6.15 In order to maintain the credibility of the municipality in the implementation of the present policy, Councillors, by adopting this policy, pledge that their own accounts will at no stage fall into arrears.

## **7. DUTIES AND FUNCTIONS OF WARD COUNCILORS**

- 7.1 To adhere to and convey Council policies to residents and ratepayers.
- 7.2 To adhere to the Code of Conduct for Councillors.
- 7.3 The ward committees will act in terms of roles and functions as approved by Council.
- 7.4 The ward committees are encouraged to actively promote this policy, and to ensure, at the same time, that the municipality's customer service is of a standard acceptable to the community.

## **8. DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS**

- 8.1 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 8.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality on or before the due date for payment.
- 8.3 To observe the mechanisms and processes of the municipality in exercising their rights.
- 8.4 To allow municipal officials access to their property to execute municipal functions.
- 8.5 To comply with the by-laws and other legislation of the municipality.
- 8.6 To refrain from tampering with municipal services and property.



## 9. EXPECTED DEBTOR PAYMENT LEVELS

- 9.1 The municipality is to aim at ensuring that payment levels (i.e. the percentage level of income received from debtors) for the present and future financial years, in respect of all amounts due to the municipality, exclusive of the balance of the monthly accounts payable by registered indigents, are maintained at an annual average of at least 96%.
- 9.2 The long-term target is a debtor turnover ratio of 30 days, that is, debtors are expected to pay for services on average within one month of receiving accounts.

## 10. AREA OF APPLICATION

- 10.1 This policy shall apply and be enforceable throughout the entire area of jurisdiction of The Witzenberg Municipality
- 10.2 The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this policy. The Council will, on application of this policy, avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

## 11. APPLICATION FOR SERVICES AND SERVICE AGREEMENTS

- 11.1 Before being provided with electricity, water and/or other customer services, and prior to taking occupation of premises, every customer shall enter into a service agreement with the Council in which, inter alia, the customer agrees that the electricity, water and/or other services, supplied by either Prepaid or Credit meter systems, may be used for credit control purposes to collect arrears in respect of all outstanding debt.
- 11.2 All consumers wishing to utilise municipal services must apply to enter into a service agreement.
- 11.3 The service agreement will be entered into prior to the provision of services and prior to the consumer taking occupation of the premises.

- 11.4 A new service agreement will only be entered into once all amounts owed by a consumer on other debtor accounts are settled in full.
- 11.5 A new service agreement will only be entered into on a property, once all outstanding amounts owed on the property are settled in full. The owner of the property shall have the responsibility to ensure that all debts incurred after 1 July 2007 are fully paid by the tenant in order to mitigate the non-provision of services to tenants/residents after the date mentioned above.
- 11.6 Paragraph 11.5 is not applicable to outstanding accounts in respect of houses allocated by the housing committee.<sup>1</sup>
- 11.7 Where municipal services are used/consumed or made use of, and the owner, tenant, or occupants of a property, have not entered into nor completed an agreement for such services, the owner responsible for the payment of rates on the property will be billed for the metered consumption and all municipal service charges applicable to the property.
- 11.8 The service agreement shall indicate that transfer of a property may not be registered until the municipality issues a clearance certificate which reflects that all amounts due in connection with that property for municipal service fees, property rates and other municipal taxes, levies and duties have been fully paid. The outstanding monies include accounts relating to tenants who may have left the property of the seller.
- 11.9 Application forms are available at the municipal offices and the application process must occur at least ten (10) working days prior to taking occupation of the premises. This will ensure that services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken. Once the application has been approved, a service agreement will be entered into and services will commence.
- 11.10 The Municipality will render the first account after the first meter reading cycle following the date of signing the service agreement or as soon as is administratively possible.
- 11.11 Consumers who illegally consume services without a valid service agreement will be subject to disconnection and/or removal of the service and may have charges laid against them for theft and fraud.

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<sup>1</sup> Amended by Council on 28 May 2014

11.12 The service agreement shall set out the conditions under which the services are provided and shall require the signatories thereto to accept the contents of the municipality's credit control and debt collection policy, as well as the provisions of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

(a) An undertaking by customers:

- That the electricity, water and/or other services supplied by either the Prepaid or Credit meter systems, may be used for credit control purposes to collect arrears in respect of all outstanding debt and shall include rates if the customer is the owner of the property;
- That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees, and
- That any alleged non-receipt of an account does not affect the customers' liability for the account, nor stop the credit control process;

(b) An undertaking by Council:

- That it will deliver accounts to customers
- That if customers do not receive an account and have accordingly requested one, a statement will be supplied to them.

11.13 Where a signatory is not the owner of the property to which the services are to be provided, a letter from the owner indicating that the signatory is the lawful occupant of the property and where a lessor/lessee arrangement exists between the parties, a copy of such agreement shall be attached to the service agreement.

11.14 Where a consumer has failed to enter into a service agreement with the Council, water and/or electricity shall be restricted or disconnected, as the circumstances may require, until such time as a service agreement has been entered into and the applicable deposits have been paid. In such circumstances, the consumer will be held liable for any calculated amounts.

## 12 DEPOSITS AND GUARANTEES

- 12.1 Every customer is to pay a deposit on application for the provision of municipal services before the municipality renders any service to the property. Deposits are payable when new customers sign service agreements and when existing customers move to a new supply address. All deposits shall be paid at least 5 (days) days prior to occupation of the property or prior to the date on which the services are required. Failure to comply with this clause may result in a delay in the connection of services and the Council shall not be liable for any loss or prejudice suffered by a customer as a result thereof.<sup>2</sup>
- 12.2 Subject to the provisions of clauses 12.3, 12.4 and 12.5 hereunder, the calculation for deposits shall be based on two months' consumption of metered services together with any charges for other municipal services, or a minimum amount specified by the Chief Financial Officer from time to time.
- 12.3 In determining the deposit described in Section 12.2, the Chief Financial Officer may differentiate between areas to give cognisance to differences in service standards and usage.
- 12.4 The Chief Financial Officer may re-assess customer deposits for new domestic, commercial and industrial customers three months after the initial deposit date and may, as a result of this reassessment, require an additional deposit from the customer.
- 12.5 The Chief Financial Officer may review deposits annually and, in the case of a customer' s service being disconnected or restricted as a result of non-payment or tampering, may increase the deposit. Should the deposit be increased as a result of this review the customer must immediately make payment of the increased amount in line with the instruction from the Chief Financial Officer.
- 12.6 The outcome of the review contemplated in clause 12.5 shall be communicated to the customer in the event of any variation in the deposit arrangements being required.
- 12.7 Should a customer's services be disconnected twice during any twelvemonth period due to non-payment, the customer's deposit shall be adjusted the following month to conform to Clause 12.5.
- 12.8 Bank guarantees are only permitted for businesses and only under circumstances as determined by Council from time to time.

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<sup>2</sup> Amended by Council on 28 May 2014.

### 13 ACCESS TO PROPERTY TO READ METERS

- 13.1 In terms of Section 101 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the occupier, owner or tenant of a property is to allow municipal officials or the municipality's authorised service providers access to read meters, install or repair meters as well as to, discontinue or restrict the provision of a service. The official is to have the proper authorisation and can only request access during reasonable hours.
- 13.2 If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible, the municipality shall estimate the consumption of the service concerned and thereafter bill the account holder for the monetary value of such estimated consumption.
- 13.3 In the event that the Council continues to be unsuccessful in obtaining access to the property and, therefore, is unable to obtain an accurate meter reading, the Chief Financial Officer or his authorised representative may disconnect the supply of services.
- 13.4 Voluntary readings:
- These will be permitted provided the municipality obtains any final reading should the consumer move to another supply address.
  - Consumers may be liable for a fee to cover the costs of obtaining a reading if no advance warning is given and special arrangements are required to obtain a reading.
  - The Municipality is entitled to make suitable adjustments to the readings should a consumer fail to ensure that a final reading is obtained.
  - An audit reading during the normal reading cycles must be obtained at least once every 06 months. If a special audit reading becomes necessary this will be done at the cost of the consumer.
  - The consumer may elect to supply voluntary readings subject to compliance with these rules. The Chief Financial Officer may, however, cancel the voluntary reading convenience if the consumer fails to render readings on two or more consecutive occasions.

## 14 ACCOUNTS, BILLING AND PAYMENT

- 14.1 The Council shall produce and post one consolidated monthly bill to consumers for services supplied or available (inter alias, electricity, water, refuse and sewerage charges) and for rates levied on property within the municipal area unless, for whatever reason, the rates account has not been consolidated with the services account in which case separate monthly accounts will be posted. These accounts will be produced in accordance with meter reading cycles at regular intervals or as prescribed by law. In the case of indigents where the net account after rebates amounts to zero, these will only be posted bi-annually and not on a monthly basis.
- 14.2 The account/invoice will reflect the following details:
- Consumer name;
  - Consumer account number;
  - Consumer postal address;
  - Address details to which the services have been supplied;
  - The consumption or estimated consumption for each metered service within a specified period;
  - The applicable service tariff;
  - The monthly amount due on property rates and the total annual amount due;
  - The valuation of the property;
  - The amount due on any other service charges;
  - The total amount due and payable;
  - The amount in arrears, if any;
  - The final date for payment (due date);
  - The method, name and location of any municipal offices and authorised agents where payments may be made, and
  - A notification that failure to settle the total amount due by due date will result in termination or restriction of services.

- 14.3 The Council shall undertake to post the consolidated account to the customer address, in South Africa, as specified by each customer. However, non-receipt of an account does not negate the responsibility of the customer to pay the amount owing by due date nor prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the most recent account, before the due date.
- 14.4 The consumer shall, in writing, notify the Council of any change of address, including an e-mail address, and contact details. Notwithstanding the fact that a consumer has not received an account as a result of his failing to notify the Council of his change of address or due to delays on the part of external service providers, the customer is nevertheless liable for payment of such account. Any change of address only becomes effective when the notification of the change is received and acknowledged by the Council.
- 14.5 Accounts must be paid in full on or before the due date as indicated on the account. Failure to comply with this section shall result in debt collection action (as contained in Section 27 of this policy) being instituted against the customer. Interest on arrears, at the rate determined from time to time by the Council or, in the absence of any determination, as prescribed by law, will accrue after due date if the account remains unpaid irrespective of the reason for non-payment (refer Section 18).
- 14.6 Bulk consumers may at the discretion of Council be notified of their unpaid accounts prior to the commencement of the debt collection process.
- 14.7 Payments for accounts must be received at a Municipal pay-point by close of business on or before the due date. In the case of any electronic payments the money must be received in the municipal bank account no later than the close of business on the due date. In the case of monies paid to agents, the money must be deposited with the agent prior to the close of business on due date and proof thereof may be required to validate any claims.
- 14.8 The following methods of payment and payment points can be used: Debit order payments, which forms are available from the municipal cash offices;
- Cash and cheque payments can be made at the municipality' s cash offices, any South African Post Office and their agencies, ABSA and Easy Pay Outlets e.g. Pick & Pay, Checkers, etc.
  - Electronic banking payments directly into the municipality' s account;
  - Mail.

- 14.9 The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. In addition the consumer must take into account the transfer time of the particular agent.
- 14.10 All payments and/or part-payments received by the Chief Financial Officer shall be allocated to services in the manner as contained in Section 20.

**15. METERING OF CONSUMABLE SERVICES**

- 15.1 The municipality may introduce various metering equipment for the measurement of service consumption and customers may be encouraged to convert to a system preferred by the municipality.
- 15.2 Customers who default (fail to pay by the due date) may be required by the municipality to convert to another metering system.
- 15.3 Meters (credit) will be read in monthly cycles, at regular intervals or as prescribed by Council. Should circumstances prevent such a reading, the Municipality is entitled to continue with the procedure as laid down in Section 13 of this policy.
- 15.4 A consumer is responsible to ensure access to metering equipment and will be liable for any cost incurred to ensure access (such as relocating or disconnecting the meter) if satisfactory access is not possible.
- 15.5 Routine or special maintenance of metering equipment will be communicated to the consumer prior to being undertaken in order to establish a suitable time to perform such maintenance.

**16. VALUATION OF PROPERTIES**

- 16.1 All properties within the boundaries of the Witzenberg Municipality are to be valued in terms of the legislation applicable to the valuation of properties for the purpose of levying property rates.



**17. PROPERTY RATES**

- 17.1 In terms of the Council Rates Policy, and in accordance with the tariff of Charges Schedule, Property Rates will be raised annually in July of each year, charged on a monthly basis and will be reflected on the consumers monthly bill.
- 17.2 All Property Rates not paid by due date will, in addition to any procedures as prescribed by law, be subject to credit control and debt collection procedures as stipulated in this policy.
- 17.3 An owner may apply to have his/her property rates be charged monthly. In which the due date for application is set at 30<sup>th</sup> June of each year.<sup>3</sup>
- 17.4 If in default it will reversed to yearly and the total annual rates amount become payable.

**18. INTEREST ON ARREARS AND OTHER PENALTY CHARGES**

- 18.1 Interest shall be charged for a full month on all arrear amounts at the percentage determined by Council irrespective of when payment is made.
- 18.2 For purposes of determining arrear amounts, all amounts that are unpaid after due date, excluding interest, penalty charges previously raised including collection charges and Value Added Taxation, shall be taken into account.
- 18.3 The Chief Financial Officer will be entitled to raise the following charges/fees in addition to the interest charge contemplated in clause 18.1:
- charges for disconnection or restriction of services
  - charges for reconnection or reinstatement of services
  - charges for notices of default and other correspondence
  - penalty charges for illegal reconnections
  - penalty charges for dishonoured cheques
  - Reconnection fee to be paid for both prepaid and conventional meters
  - Charges / Fees on all legal proceedings<sup>4</sup>

<sup>3</sup> Updated 04/08/2008 Special Council meeting

<sup>4</sup> Amended by Council on 28 May 2014

18.4 Other than those penalty charges prescribed by legislation, the value of each of these charges will be determined on an annual basis by Council when considering its annual budget and shall be contained in the Witzenberg Municipality Tariff Register.

## 19. AGREEMENTS AND ARRANGEMENTS FOR PAYMENT OF ARREARACCOUNTS

19.1 The Chief Financial Officer is authorised to enter into agreements with customers in arrears with their accounts and to grant customers extensions of time for settlement of the amounts due to Council. No arrangement for the payment of debt in instalments may be entered into with a tenant without the consent of the property owner.<sup>5</sup>

19.2 Where a customer in arrears is a business or commercial concern, a minimum of 50% of the total overdue amount, as an initial payment, shall be paid, and the balance of the account shall be paid in equal instalments over a maximum period of twelve months. Any future monthly current accounts shall be paid on or before the due dates for the month in question. In respect of business or commercial consumers who are in arrears, interest will be raised in terms of Section 18 of this policy.

In exceptional circumstances, The Accounting Officer and CFO can deviate from the general rule above provided that:

- The current account is paid in full
- A written agreement is entered into that provides for the down payment of the arrears amount in monthly instalments.

19.3 Where a customer in arrears is a domestic consumer the following processes will be follows:

- i) When the customer account include outstanding debt, property rates not regarded, the customer payment incentive policy as approved by Council may apply; and
- ii) In the case of all other debt, the current account, as an initial payment, shall be paid, and the balance of the account shall be paid in equal instalments over a maximum period of forty eight [48] months.
- iii) In exceptional circumstances, The Accounting Officer and CFO can deviate from the general rule in (ii) above provided that:
  - The current account is paid in full
  - A written agreement is entered into that provides for the down payment of the arrears amount in monthly instalments.
- iv) A customer can make a maximum of 2 arrangements within a financial year of the Municipality.<sup>6</sup>

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<sup>5</sup> Amended by council on 28 May 2014

<sup>6</sup>Updated 28/05/2009

Any future monthly accounts shall be paid on or before the due date. Consumers, who honour their agreements and arrangements to pay, will not be charged interest from the date of the agreement on municipal service arrears, with the exception of property rates in arrears where statutory provisions may apply. Should they default on their credit extension for whatever reason, interest shall be raised from the date of default on the full outstanding debt in terms of Section 18 of this policy.”

Any agreement reach prior to this policy will still be applicable.

- 19.4 A consumer may be required to complete a debit order for the payment of arrears in terms of the agreement.
- 19.5 Should a customer breach the arrangement in any way, the balance of the arrear account, together with the balance of interest outstanding on the account, shall immediately become due and payable to the municipality.
- 19.6 A customer who fails to comply with any credit arrangement shall not be permitted to enter into any further arrangement or extension of time for payment and shall have his services terminated, however a customer who brings his credit arrangement up to date by an immediate payment shall have his services reconnected as soon as is practically possible.
- 19.7 A customer who fails to comply with any arrangement of debt shall have his service agreement terminated, services disconnected/restricted, and his deposit on any outstanding amounts set off against any arrear debt.
- 19.8 Only debtors with positive proof of identity or an authorised agent with a Power of Attorney shall be permitted to enter into an Acknowledgment of Debt agreement with the Council.
- 19.9 Where a debtor is a close corporation, trust, or a company, the person who signs an acknowledgment of debt on behalf of such close corporation, trust or company, shall produce written proof that he is authorised to sign such acknowledgment on behalf of all members and/or directors of the close corporation, trust, or the company.
- 19.10 An Acknowledgment of Debt agreement shall contain all arrangements for paying off arrear accounts, which may include interest. One copy of the agreement shall be handed to the customer and another filed with the Chief Financial Officer.
- 19.11 In instances where a customer is employed, the municipality may obtain a voluntary garnishee order or emoluments attachment order.

19.12 Where any debt has arisen as a result of the Council having applied an incorrect charge and/or tariff, the consumer may arrange to pay the debt over a maximum period equivalent to the period over which the incorrect charge was applied or over twelve months, whichever is the shorter.

19.13 The Director Finance and Deputy Director Finance may deviate from the policy in special circumstances.<sup>7</sup>

## 20. ALLOCATION OF PAYMENTS AND PART-PAYMENTS

20.1 Receipt of the total outstanding monies will be allocated to the credit of the account in full. If a debtor pays only part of any amount due, the Chief Financial Officer shall allocate such payment as follows:

- firstly, to any unpaid interest raised on the account;
- secondly, to any other sundry debtors (miscellaneous);
- thirdly, to housing rents and instalments;
- fourthly, to any unpaid refuse collection charges;
- fifthly, to any unpaid sewerage charges;
- sixthly, to any unpaid water charges;
- seventhly, to any other unpaid electricity charges; and
- lastly, to any unpaid property rates.

20.2 A customer shall not be entitled to allocate any payment made to any portion of the total debt due to the Council.

## 21 DISHONoured AND OTHER UNACCEPTABLE CHEQUES/DEBIT ORDERS

21.1 Refusal by banks to honour payments by cheque or debit order is regarded as non-payment, upon which the relevant debtor is subject to credit control measures.

21.2 The Council shall, at the earliest opportunity, be entitled to disconnect or restrict, as the case may be, the electricity and/or water supply of a customer who has offered a cheque or debit order as payment for municipal services if such cheque or debit order is returned or dishonoured by the financial institution on which it is drawn as a result of a lack of funds or for any other reason.

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<sup>7</sup> Recommended for amendment.

- 21.3 A customer tendering a cheque or debit order referred to in Clause 21 .2 shall be liable for all administration charges and bank fees as determined by Council as a result of such transaction.
- 21.4 Should a dishonoured cheque or debit order be received, the customer may be contacted telephonically with the request that a cash deposit equal in amount to that of the dishonoured cheque be made into the municipality' s account within 24 hours.
- 21.5 Should any attempt to contact the customer fail, then the municipality shall immediately discontinue the supply of services to the premises.
- 21.6 In the event of the customer not having sufficient funds to settle the outstanding debt, the Municipality may open a case of fraud with the South African Police Service.
- 21.7 Dishonoured cheques are to be kept on file and will only be given to account holders on request if the account is paid up to date after the reversal of the dishonoured payment.
- 21.8 A customer who has offered three dishonoured cheques in any 12 month period will not be allowed to make further payments by cheque for a period of at least one year, although a bank guaranteed cheque may be accepted by the Chief Financial Officer.

## 22. QUERIES IN RESPECT OF ACCOUNTS

- 22.1 The enquiries counters at the municipality's service centres can be contacted for all account queries.
- 22.2 An enquiry clerk stationed at the municipality's service centres shall be available to assist consumers with account balance queries as well as the opening and closing of accounts.
- 22.3 Any resident or consumer who may feel aggrieved concerning his/her account may address a written grievance / appeal to the Chief Financial Officer.
- 22.4 The municipality endeavours to investigate any query and give feedback within fourteen working days of the receipt of the query.
- 22.5 Any query in respect of the amount due and payable on the consolidated bill must be lodged, in writing, at the municipality within 10 days of the consolidated bill date in order that it may be investigated. Should the query not be lodged within 10 days, the municipality cannot be bound to the provisions of clause 22.4.

- 22.6 A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment on his account. In the event of an accountholder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the accountholder provided the accountholder has paid, by due date, an amount equal to the monthly average monetary value of the three most recent un-queried accounts in respect of the service under query, as well as all un-queried balances on such account, and, provided further that, such query is made in writing by the accountholder or is recorded in writing by the Chief Financial Officer or his designate on behalf of the accountholder within 10 days of the consolidated bill date.
- 22.7 If a customer has received a response to a query but is still not convinced that the account is correct, the customer will still be liable for the full outstanding amount and will be subject to credit control action.

### 23. UNRESOLVED CUSTOMER QUERIES

- 23.1 Should a query remain unresolved after 14 working days have passed from the date the query was lodged, the customer is to notify the Section Head of the relevant section who will follow up and resolve the query.
- 23.2 Should the Section Head, as a result of the complexity of the case, be unable to resolve the query, it is to be referred to the Consolidated Billing Manager for resolution.

### 24. DISCONNECTIONS/RESTRICTIONS OF SERVICE

- 24.1 The Council shall disconnect/restrict services to consumers whose consolidated accounts remain unpaid after due date.
- 24.2 The municipality shall, prior to disconnection and/or restriction of services, not be obliged to issue any final demand notices or other reminders to customers whose accounts are unpaid after due date.
- 24.3 The municipal account shall reflect a warning message that shall be deemed to be proper and sufficient notice to the customer that his services may be disconnected or restricted unless payment is received on or before due date.
- 24.4 In the event that full payment of the consolidated account, including any accumulated arrears, is not received by close of business on due date, the electricity supply and thereafter the water supply may be disconnected/restricted, unless a formal arrangement for an extension of payment, in terms of Section 19, has been approved by the Chief Financial Officer or his authorised representative.

- 24.5 Even though a customer may have concluded satisfactory credit arrangements in terms of Section 19, the Council is not obliged to effect a reconnection of services on the day that payment is received or the agreement has been signed, but will, unless unable to do so because of circumstances beyond the control of the municipality, endeavour to do so within three (3) working days in terms of Section 26 read in conjunction with Section 25.
- 24.6 Where a customer's services are disconnected, or where access to disconnect services has not been obtained, the customer shall be charged a visitation fee, as determined by the Council, which shall be paid prior to the services being reconnected.
- 24.7 Where a customer's account and/or service agreement has been terminated or is in arrears and no credit arrangement has been entered into,
- the Council may, at the customer's cost, proceed to collect such amount as is outstanding and due in terms of the procedures for debt collection contained in Section 27 of this policy.
- 24.8 Where a customer or owner's account is in arrears and no credit arrangement for the settlement of any outstanding debt has been entered into, and, whether the services to the property have been disconnected / restricted or no the Council may, regardless of whether the service agreement is terminated or not, implement the procedures for debt collection as set out in Section 27 of this policy, if such action is deemed by the Chief Financial Officer to be in the best interests of the Council.
- 24.9 Should the Chief Financial Officer be of the opinion that the termination of services, in respect of which the account is in arrear, could result in the endangerment of the life of any person, the Chief Financial Officer may appropriately restrict rather than terminate the services in question.

If a household is classified as an indigent household in terms of section 6.1 of the Assistance to the poor policy, as amended, then the following will be applicable with regard to disconnection/restriction of services:

- (i) Prepaid electricity may be blocked for purchases if the other services are in arrears; and<sup>8</sup>

#### **24. A Changing meters of defaulters<sup>9</sup>**

- (i) The water meters of defaulters can be replaced with water management meters, and the consumption can be limited to a minimum of 200 litres per day (6 kilolitres per month);

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<sup>8</sup>Updated 31/05/2012 Council meeting

<sup>9</sup>Updated Council 28/09/2011

- (ii) The electricity meters of defaulters can be replaced with split prepaid meters;
- (iii) The cost of the replacement meters will be borne by the consumer who can pay the cost in three monthly instalments. If the consumer defaults on the payment for the meters, the electricity supply will be blocked and/or the water consumption will be limited to 200 litres per day (6 kilolitres per month).

## 25. RECONNECTION/REINSTATEMENT OF TERMINATED/RESTRICTED SERVICES

25.1 Services which have been terminated or restricted shall be reconnected or reinstated by the municipality only when all the following conditions have been met:

- the 30 days arrear account plus the reconnection fee has been paid in full, including the interest raised on such account; and an acceptable arrangement has been entered on the arrears older than 30 days with the municipality, including the interest raised on such account; or a query, as contemplated in Section 22, has been resolved and arrangements for payment as approved by the Chief Financial Officer have been concluded; a revised/existing service agreement has been entered into/reinstated with the municipality, as contemplated in Section 11 of this policy; and
- a suitable cash deposit, as determined by the Chief Financial Officer in terms of Section 12, has been paid to the municipality.



## 26. PROCEDURE FOR DEBT COLLECTION AND WRITE OFF

Where consumer accounts are in arrears, the Chief Financial Officer is authorised to institute the following procedures with the intention of proceeding until the debt is collected or written off:

- 26.1 Immediately after due date, disconnect and/or restrict all water and/or electricity services for all overdue amounts relating to rates, service charges or any charges for services rendered by the municipality in terms of the procedures laid down in Section 24 of this policy;
- 26.2 Thirty days after the due date:
- Tracing action may be authorized and instituted if the whereabouts of the debtor is unknown.
- 26.3 Sixty days (or any earlier period if the Chief Financial Officer deems that it is in the best interest of the Council) after the due date, and where an account rendered to a customer remains outstanding, the following action may be taken:
- All arrear amounts shall be handed over to the Council's internal or external debt collection agents.
- The collection agents will then make use of normal debt collection procedures including a call centre approach and legal processes to collect the amounts owed to Council
- If necessary, the sale in execution of such property to recover arrear property rates and service charges will be instituted (if the accountholder is also the owner of the property).
  - All legal expenses incurred by the municipality shall be for the account of the accountholder in default<sup>10</sup>.
- 26.4 The Chief Financial Officer may insist that a consumer, who is utilising a credit meter, convert from that credit metered supply to a prepayment supply. The cost of such a conversion is to be borne by the consumer.
- 26.5 The Chief Financial Officer may allocate up to thirty (30) percent of any payment for prepayment services to arrear debt.
- 26.6 The Chief Financial Officer may order that emolument attachment or garnishee orders be instituted on debtors' salaries.

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<sup>10</sup>Updated 20/04/2011

- 26.7 The Chief Financial Officer may withhold rates clearance certificates in terms of Section 118 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 30 of this policy.
- 26.8 The Chief Financial Officer may withhold payments of grants-in-aid to consumers whose accounts are in arrears.
- 26.9 The Chief Financial Officer may withhold payment to suppliers whose accounts are in arrears in terms of the Supply Chain Management policy.
- 26.10 The Chief Financial Officer may withhold/reject the approval of building plans relating to improvements on properties if there are arrears on that property.
- 26.11 Whenever all the legal avenues and procedures listed above have been exhausted, or it becomes uneconomical to proceed further, the arrear amounts should be classified as irrecoverable and should be written off.
- 26.12 The Chief Financial Officer, may forward a report to Council for the writing off of consumer, if such debts may be irrecoverable.
- 26.13 The Executive Committee, in terms of its delegated authority, may authorize the writing off of the debts wherein after a report will be forwarded to full Council for ratification.
- 26.14 The Chief Financial Officer shall as soon as possible after 30 June each year, or more regularly if requested by Council to do so, present to the Council a report indicating the amount of the arrears that have been written off during the financial year, together with the reasons for the write off.
- 26.15 The Chief Financial Officer may write off debts to the value of R1000.00 per individual if he is satisfied that:
- All reasonable steps have been taken to recover the debt and the debt is considered to be irrecoverable, or
  - He/she is convinced that recovery of the debt would be uneconomical.
- 26.16 The Chief Financial Officer may approve the write off of debt outstanding for more than three years, excluding property rates, on condition that all the other debt is paid immediately in full.<sup>11</sup>
- 26.17 Any debtors whose amounts are written off may be listed with the Credit Bureau and may not be permitted to enter into future service contracts with the Council.

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<sup>11</sup> Amended by Council on 28 May 2014

- 26.18 Industrial consumers can qualify for an early payment rebate of one percent if their account is paid in full within 15 days after the month during which the services were consumed.<sup>12</sup>
- 26.19 A collection fee of up to 5% of the amount collected on behalf of the municipality may be paid to employers that deduct municipal accounts from their employees.<sup>13</sup>
- 26.20 If a household is classified as an indigent household in terms of section 6.1 of the Assistance to the poor policy, as amended, then the Chief Financial Officer must prior to implementation of sections 26.2 and 26.3 determine whether the debt would be uneconomical to recover as set out in section 26.15.<sup>14</sup>

## 27 ILLEGAL TAMPERING AND/OR THEFT OF SERVICES

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

- 27.1 Water and electricity metering and connection equipment remain the property of the municipality and anyone involved in instances of tampering, damaging or theft thereof will be liable for criminal prosecution.
- 27.2 With regard to electricity services, if tampering of any nature or theft of such services is identified, the electricity supply to the property may be discontinued by the removal of the meter and the cable and the water supply may be restricted. In addition, the customer's service agreement with the Council may be cancelled and the customer's deposit may be offset against any amounts owed to the Council.
- 27.3 If the restricted water supply is tampered with or any variable flow-restricting device removed, the water supply may be discontinued, the service connection removed and the customer's service agreement with the Council may be cancelled. The customer's deposit may be offset against any amounts owed to the Council.
- 27.4 Once Council becomes aware that any terminated or restricted service has been irregularly reconnected or reinstated, the necessary action to remedy the situation will be implemented which could include the Municipal Manager reporting such action to the South African Police Service.
- 27.5 All outstanding amounts including, all metered consumption since the date of the illegal reconnection, or the estimated consumption, if a reliable meter reading is not possible, shall be paid in full together with the required deposit, before any reconnection/reinstatement, and new services agreement are considered.

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<sup>12</sup> Amended by Council on 28 May 2014

<sup>13</sup> Amended by Council on 28 May 2014

<sup>14</sup> Updated 04/08/2008 Special Council meeting

However, the receipt of payment will not necessarily impact on nor prejudice any legal or criminal proceedings against the customer.

## **28 UNOCCUPIED PREMISES**

- 28.1 When a consumer terminates a consumption account and no new owner registers, the property is deemed to be unoccupied.
- 28.2 Whenever water and/or electricity consumption is recorded at a property that is deemed to be unoccupied effort will be made to establish the identity of the person responsible for that consumption, failing which an appropriate bill will be raised and forwarded to the owner of the property for payment. Should payment not be received then the registered owner of the property is liable for the services consumed.

## **29. CLEARANCE CERTIFICATES**

- 29.1 Before any property can be transferred from one owner to another, all amounts owing to the municipality on the property must be settled. Only after settlement, will the Municipality issue a certificate stating that all outstanding debts have been settled. No property transfer can take place without such a certificate.
- 29.2 The Municipality requires a payment in advance equal to two<sup>15</sup> months average consumption of all relevant services prior to the issuing of such a clearance certificate in order to allow for any consumption that may take place during the time taken for the transfer to go through.
- 29.3 The Municipality shall, wherever possible, issue a clearance certificate within ten working days of such request once all outstanding debts and administration fees have been paid in full.
- 29.4 The above provisions do not apply in the case of transfers from National Government, Provincial Government or another municipality of residential property where the provisions of Section 118 of the Municipal Systems Act are applicable.

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<sup>15</sup> Updated 04/08/2008 Special Council meeting

**30. MUNICIPAL STAFF**

- 30.1 Any member of staff of the Council and any Councillor may not be in arrears with the Council for rates and/or service charges for a period longer than three months, and the Council will deduct any outstanding amounts from the salary or allowance of such member of staff or Councillor after this period, in accordance with item 10 of Schedule 2 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).
- 30.2 Staff arrangements made to pay off debt will be adjusted yearly equal to the percentage salary increase.
- 30.3 Salary deductions will be made from yearly bonuses & performance bonuses to be set off against any arrears or outstanding amount.
- 30.4 Any back pay, promotions, overtime & standby are first use to reduce arrears of staff.
- 30.5 Staff members that made arrangements to pay off debt must complete a salary deduction form and this deduction may not be stopped until debt has been paid in full.
- 30.6 If a staff member is sixty (60) days in arrears and has made no arrangement to pay off the outstanding amount, deduct full amount from salary.

**31. REPORTING AND PERFORMANCE MANAGEMENT**

- 31.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Committee as supervisory authority in terms of Section 99 of the Municipal Systems Act, 2000 (Act No.32 of 2000), read with section 100(c).
- 31.2 If, in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent to 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 immediately move for a revision of the budget according to realistically realisable income levels.
- 31.3 The Executive Committee shall, at intervals of 3 months, report to Council as contemplated in Section 99(c) of the Municipal Systems Act.

**32. DEFINITION OF IRRECOVERABLE DEBT**

Debt will only be considered as irrecoverable if it complies with the following criteria:

- (a) All reasonable notifications and cost effective legal avenues have been exhausted to recover specific outstanding amount, or
- (b) Any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it, or
- (c) The cost to recover debt does not warrant further action, or
- (d) The debtor is untraceable or cannot be identified so as to proceed with further action, or
  - (i) the debtor has immigrated leaving no assets of value to cost effectively recover Council's claim, or
- (e) It is not possible to prove debt outstanding, or
  - (i) a court has ruled that the claim is not recoverable, or
  - (ii) the outstanding amount is due to an irrecoverable administrative error by the Municipality, or
- (f) All arrears will be written off to bad debts where water consumers have had their water leaks repaired, provide the necessary proof and for a period of six months from the date of repair –
  - (i) Pay their water & sewer bill above the free portion on or before the due date, and
  - (ii) Maintain their water consumption within affordable levels.

### 33. COMMUNICATION OF POLICY TO CONSUMERS

- 33.1 The municipality will, at its own cost, publish the Credit Control and Debt Collection Policy in the local media. The Chief Financial Officer operating under delegated authority will publish the policy on whatever basis is to the Council's best advantage. A copy of the policy will be posted on the municipality's website and hardcopies will be made available on request at the service centres. Any amendments may be communicated on the website and in a newsletter from time to time.
- 33.2 Councillors must, from time to time, address ward committees on the contents of the policy and any amendments thereto.

### **34. BY-LAWS TO BE ADOPTED**

- 34.1 By-laws shall be adopted to give effect to the Council's credit control and debt collection policy.
- 34.2 The by-laws are to comply with the requirements of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Water Services Act, 1997 (Act No. 108 of 1997), the Electricity Act, 1987 (Act No. 41 of 1987) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
- 34.3 The by-laws deal severely with defaulters, and their application requires a considerable degree of commitment from the Municipal Manager and his or her administration, as well as from the municipality's political structures. For the by-laws to ensure the avoidance of financial misfortunes for the municipality, and to lead to sustained financial stability, their application will have to receive the constant attention of all the municipality's key role-players and decision makers. If the by-laws are not constantly and consistently applied, from month to month and from year-to-year, the municipality's political and administrative credibility will be severely impaired, and it may not be able to ensure financial sustainability in the long run.
- 34.4 Although the by-laws envisage even the termination of basic services for defaulting accountholders this will not in itself, no matter how harsh it may seem to those councillors and officials who are disposed to greater leniency, prevent the accumulation of arrears. The monthly billing for property rates, sewerage charges and refuse removal fees will continue in respect of defaulting accountholders, even though their consumption of electricity and water may have been terminated or restricted. The termination or restriction of services must therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully curtailed.

### **35 DECEASED ESTATES**

The accounts of deceased estates may be transferred into the names of relatives as determined by the executor of the deceased estate, to allow for the continuation of service delivery to the relevant property on the following conditions:

The historical debt remains a claim against the deceased estate;

The executor of the deceased estate together with the new account holder must enter into an agreement with Witzenberg municipality for the payment of the historical debt;

The normal service deposit is payable by the new account holder unless a report by the municipal social worker indicates that the new account holder cannot afford to pay the deposit;

If the property is let out, the service deposit is payable without any exceptions;

A clearance certificate in terms of section 118 of the municipal systems act may be issued by Witzenberg municipality on condition that the executor of the deceased estate provides the municipality with a guarantee that the outstanding debt will be paid on transfer;

In the instance of a child-headed household the account must remain in the name of the deceased estate, but the estate will qualify for indigent support, if the other criteria for an indigent household are met.

### **36. ENFORCEMENT OF OTHER LEGISLATION**

- 36.1 In addition to the credit control and debt collection provisions contained in this policy and the published by-laws relating hereto, the Council may enforce any other rights or exercise any power conferred upon it by the Municipal Systems Act, 2000 (No. 32 of 2000), the Water Services Act, 1997 (Act No. 108 of 1997), the Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
- 36.2 In the event of an inconsistency between the provisions of these and any other by-laws, the provisions of these by-laws shall prevail.

### **37 COMMENCEMENT DATE**

This policy as amended takes effect as from the 28 September 2011.





# CASH MANAGEMENT AND INVESTMENT POLICY

Date of implementation: 01 July 2008

## TABLE OF CONTENTS

	PAGE NO.
APPENDIX A - PREAMBLE	3
1. DEFINITIONS	3
2. LEGAL FRAMEWORK	3
3. OBJECTIVES	4
4. CASH MANAGEMENT	4
4.1 General Policy	4
4.2 Bank Accounts	4
4.2.1 Cheque Management	4
4.2.2 Delegation/Rights	4
4.2.3 Cheques	5
4.2.4 Electronic Funds Transfer (EFT)	5
4.3 Bank Overdraft	5
4.4 Cash Collection	6
4.4.1 Controlled, secured and prompt cash collection	6
4.4.2 Availability of receipting points	6
4.4.3 Electronic payments directly into bank account	7
4.4.4 Receipt of money by post	7
5. INVESTMENT POLICY	7
5.1 General Policy	7
5.2 Application	7
5.3 Diversification	8
5.4 Investment Managers	8
5.4.1 External Investment Managers	8
5.5.2 Internal Investment Manager	8
5.5 INTERNAL CONTROLS OVER INVESTMENT	8
5.5.1 Delegations	8
5.5.2 Concluding deals	8
5.7 Ownership	9
6. DUE CARE	9
7. PERFORMANCE MEASUREMENT	9
8. REPORTING	10
8.1 Reports	10
8.2 Monthly Reports	10
9. ANNUAL REVIEW OF POLICY	10
10. EFFECTIVE DATE	10

## APPENDIX A

### PREAMBLE

*Whereas* section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) determines that a municipality must introduce an appropriate, prudent and effective cash management and investment arrangement;

*and whereas* a bank, in accordance with the provisions of section 13 of the Act, has to disclose details regarding a municipalities' investments;

*and whereas* councillors and officials, as trustees of public funds have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible;

*now therefore* the Witzenberg Municipality adopt the cash and investment management policy set out in this document.

### 1. DEFINITIONS

**"Act"** means the local government Municipal Finance Management Act, 2003 (Act no. 56 of 2003)

**"Council"** means the Municipal Council of Witzenberg Municipality

**"Gazette"** means the Government Gazette

**"Investee"** means an institution or counterparty with which an investment is placed, or its agent.

**"Investment"** means an amount of funds deposited in deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) on which interest is earned or received.

**"Internal investment manager"** means the official appointed or acting as the Manager: Financial administration of Witzenberg Municipality.

### 2. LEGAL FRAMEWORK

- a) Legislation – local government: Municipal Finance Management Act 56 of 2003 (As amended)
- b) Treasury regulations in terms of Section 13(1) of the Act (As amended).

### 3. OBJECTIVES

- a) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risk
- b) To ensure compliance with all legislation governing the investment of funds.
- c) To maintain adequate liquidity to meet cash flow needs
- d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner.
- e) To ensure diversification of permitted investment.
- f) To ensure compliance with regard to revenue management as contemplated in Sect 64(d), 64(f) and 64(h) of the Act
- g) To ensure compliance with regard to Sect 10 and 11 of the Act

### 4. CASH MANAGEMENT POLICY

#### 4.1. General Policy

It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments. Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested "outside" the bank account is covered by section 4 of this policy.

#### 4.2. Bank Accounts

Council operates one primary bank account for its day to day operational activity requirements. All monies due to Council and due by Council emanating from Council activities must pass through this primary account.

##### 4.2.1 Cheque Management

Cheques are printed in batch format. To prevent the removing of cheques, cheques are delivered in sealed boxes where strict control is exercised over the numerical sequence of cheques on the expenditure system by means of a cheque register.

##### 4.2.2 Delegation/Rights

The incumbents of the following post are authorized to sign cheques on behalf of Council

#### 4.2.3 Cheques

- A-Signatories: Director: Financial Services/Chief Financial Officer  
Manager: Financial Administration  
Manager Income  
Manager: Supply Chain
- B-Signatories: Accountant Assets & Budgets  
Accountant Credit Control  
Accountant Debtors  
Accountant Expenditure

Each payment needs to be signed by at least two A-signatories, or one A-signatory and one B signatory.

#### 4.2.4 Electronic Funds Transfer (EFT)

Authorisation same as cheques above

### 4.3 Bank Overdraft

- 4.3.1 Barring the fact that Council has an approved overdraft facility with its primary banker for possible unanticipated short-term cash flow shortfall, its general policy is to avoid going into overdraft.

Short-term debt is incurred based on expected income and must be repaid within the same financial year. (Section 45 of the MFMA)

- 4.3.2 Council set the credit limit for the bank overdraft facility at R6, 000, 000 (six million rand).
- 4.3.3 The terms of the agreement for the bank overdraft facility, including the credit limit, may be changed only by a resolution of council.
- 4.3.4 Any overdrawn bank account at any date must be reported without avail to Council supported by reasons therefore.
- 4.3.5 Any short term facility that requires review must first be approved by the Accounting Officer.

#### 4.4 Cash collection

##### 4.4.1 Controlled, secured and prompt cash collection

- a) All cashier banking batches and or shifts must be closed at least on a daily basis;
- b) Each cashier banking batch must be closed and deposit in the primary bank account separately;
- c) All forms, categories or types of money received must be quoted in the form or type received, for example cheques as cheques and cash as cash;
- d) A cashier must count the money he/she received, record the outcome on the cash-up sheet per category, then report to the senior responsible for the closing of the banking batches;
- e) No cashier may have access to the closing bank batch facility of the financial system;
- f) The senior verifies whether the amounts is correct and send the cashier back if necessary, otherwise closed the banking batch;
- g) The cashier in the presence of the senior put the money in the cash bags; seal it and lock it away in his/her fault for collection;
- h) All closed banking batches must be deposited and received by the bank within 72 hours;
- i) An independent service provider will collect all bags; quote the seal serial number and issue a receipt for the money bags;
- j) The service provider must ensure that the bank check the seals, verify the seal number and sign for the money bag; and
- k) All shortages must be paid in by the cashier and all surpluses must be receipted in an item number open for this purpose.

##### 4.4.2 Availability of receipting points

- a) Cash receipting points will be available in Wolseley, Tulbagh, Ceres, Prince Alfred Hamlet and Op-Die-Berg at municipal offices;
- b) The normal office hours are Monday to Thursday 08h30 till 15h30 and Friday 08h30 till 14h30;
- c) The Municipality makes use of prepaid electricity sales points in all the suburbs where the Municipality is the approved electricity supplier, these points is open at least from 07h00 till 20h00; and
- d) The Municipality also make use of third party payments for example Easy pay and Pay – a- Bill.

#### 4.4.3 Electronic payments directly into bank account

Electronic payments directly into the bank account are allowed provided that the client use his/her debtors account number as reference or booking number or traffic fine number.

#### 4.4.4 Receipt of money by post

- a) All mail of the Municipality is opened by an official responsible for Archives in the presence of a cashier responsible for collecting the mail received payments;
- b) All monies (cash, cheques and postal orders) are recorded in a register signed by the mail received payments;
- c) This cashier will then capture the received payments on the financial system; records the receipting number with the date of the receipt and sign the register;
- d) When a cheque is post dated, it is written in a post dated cheque register and then kept in a safe until the valid date and then it is captured; and
- e) The senior responsible for the cashiers must verify at least once a week that all payment received via mail is received and that all post dated payments has been captured.

## 5. INVESTMENT POLICY

### 5.1 General Policy

Generally Council will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Executive Mayoral Committee approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the National Treasury regulations from time to time.

### 5.2 Application

- 5.2.1 This policy applies to all investments made by the Witzenberg Municipality or its duly appointed investment manager.
- 5.2.2 In addition, all investments must be in accordance with the Municipal Investment Regulations. Where there is a conflict between this policy and the Municipal Investment Regulation, the Municipal Investment Regulations will supersede this policy.
- 5.2.3 This policy do not apply to -
  - (a) a pension or provident fund registered in terms of the Pension Funds Act 24 of 1956, or any subsequent legislation; or
  - (b) in respect of trust money administered by a municipality where a trust deed prescribes how the trust money is to be invested.
- 5.2.4 **Investments dominated in foreign currencies prohibited**

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

## 5.4 Diversification

- 5.4.1 Council will only make investments with approved institutions which have an A rating as per Appendix A.
- 5.4.2 Not more than 30% of available funds will be placed with a single institution.
- 5.4.3 Council must regularly monitor its investment portfolio and when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in 4.4.1 above.

## 5.5 Investment Managers

### 5.5.1 External Investment Managers

The municipality may as and when the need arise approach an external A-graded investment manager to administer the investment portfolio on its behalf. The external investment manager will be appointed in terms of SCM policy and service level agreement will govern the functions and responsibility of the service provider. All investments made by the external investment manager on behalf of the Council of Witzenberg must be made within the ambit of this policy and with National Treasury's investment Regulations.

### 5.5.2 Internal Investment Manager.

All investments made by the internal investment manager shall be in accordance with section 4.4 of this policy.

## 5.6 INTERNAL CONTROLS OVER INVESTMENTS

### 5.6.1 Delegations

In terms of section 79 of the Act, the Accounting Officer has delegated to the Director: Finance (CFO), in writing, his duty under section 65(2)(h) to manage the councils available working capital effectively and economically in terms of the prescribed cash management and investment framework. The CFO has sub delegated this duty to the Manager Financial Administration.

### 5.6.2 Concluding deals

Written mandates, signed by the Manager Financial Administration and the CFO, shall be issued to all investees with whom the Council of Witzenberg invests funds setting out the following:

- 5.6.2.1 Authorised dealers: name and particulars of the Councils officials who are authorised to transact investments deals with the investees;
- 5.6.2.2 Authorised signatories: name and particulars of the Councils officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions.
- 5.6.2.3 A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The Manager Financial Administration, together with any one of the authorised signatories referred to above, shall be authorised to approve the transaction.  
A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the Manager Financial Administration and the CFO.



## 5.7 Ownership

- 5.7.1 All investments must be made in the name of the Council of Witzenberg Municipality.
- 5.7.2 Written proof of investments made must be obtained from the institution where the investment is made and must be kept on file.
- 5.7.3 Council may not borrow money for the purposes of investment.

## 6. DUE CARE

In dealing with financial institutions, the following ethical principles must be observed:

- 6.1 The Chief Financial Officer and all staff in his/her directorate shall not accede to any influence by or interference from Councillors, investment agents, institutions or any other outsiders.
- 6.2 Under no circumstances may inducements to invest be accepted;
- 6.3 Interest rates quoted by one institution must not be disclosed to another institution; and
- 6.4 The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.
- 6.5 Investments must be made with such judgement and care, under prevailing circumstances like a person of prudence, discretion and intelligence would exercise.
- 6.6 Investment may not be made for speculation but must be a genuine investment; and
- 6.7 Investments must in the first instance be made with the primary regards being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

## 7. PERFORMANCE MEASUREMENT

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The Chief Financial Officer has primary responsibility for determining this overall quality. Objective measures include:-

- 7.1 Adherence to policy.
- 7.2 Timely receipt of interest income.

## 8. REPORTING

### 8.1 Reports

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Bank Balance	Report Daily	Senior Clerk Bank Reconciliations	Manager: Financial administration
Investments	Monthly within 10 working days of the end of the month. As part of section 71 of MFMA report	Accountant	Manager: Financial administration, Chief Finance Officer and Council

### 8.2 Monthly reports

Monthly reports must set out at least –

- (a) the market value of each investment as at the beginning of the reporting period;
- (b) any changes to the investment portfolio during the reporting period;
- (c) the ,market value of each investment as at the end of the reporting period; and
- (d) fully accrued interest and yield for the reporting period

## 9. ANNUAL REVIEW OF POLICY

This policy on investments will be reviewed annually or earlier if so required by legislation. Any changes to the investment policy must be adopted by council and be consistent with the Act and any National Treasury regulations.

## 10. EFFECTIVE DATE

The effective date of this amended policy shall be 1 July 2010.

## APPENDIX A

## APPROVED INSTITUTIONS

Banking Institution	Short-term	Long-term
ABSA Bank Ltd		AAA
Development Bank of SA		AAA
First Rand Bank Ltd		AA+
Sanlam Capital Markets Ltd		A
Imperial Bank Ltd		A+
Investec Bank Ltd		A+
Land and Agricultural Bank of SA		AA-
Nedbank Ltd		AA-
Standard Bank of South Africa Ltd		AA+

## 1. Long-term ratings

AAA- Obligations which have the highest rating assigned by Fitch IBCA on its nation rating scale for that country. This rating is automatically assigned to all obligations issued or guaranteed by the sovereign state. Capacity for timely repayment of principal and interest is extremely strong, relative to other obligors in the same country.

AA- Obligations for which capacity for timely repayment of principal and interest is very strong relative to other obligors in the same country. The risk attached to these obligations differs only slightly from the country's highest rated debt.

A- Obligations for which capacity for timely repayment of principal and interest is strong relative to other obligors in the same country. However, adverse changes in business economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.



## CONSUMER PAYMENT INCENTIVE POLICY (CPIP)

Date of implementation 01 July 2009  
Reviewed by Council 15/06/2010  
Reviewed by Council 20/04/2011  
Reviewed by Council 31/05/2012  
Reviewed by Council 29/05/2013  
Reviewed and amended by Council on 28/05/2014  
Reviewed and amended by Council on 27/05/2015  
Reviewed and amended by Council on 18/05/2016  
Reviewed and amended by Council on 30/05/2017

## 1. BACKGROUND

The Credit Control and Debt Collection Bylaws were reviewed and adopted by Council on the 28 May 2008. The purpose of the policy is to encourage the residents of Witzenberg to pay for services and also to promote the culture of payment amongst its citizens. The policy also aims to promote the Municipal Systems Act 32 of 2000, Sec 97(F) which relates to the extension of time for payment of services. The main focus of the policy is to institute incentive schemes to encourage prompt payment of debtor accounts.

## 2. OBJECTIVE OF THE SCHEME

To outline the parameters, criteria and procedures within which identified debts of participants to the scheme is written-off in exchange for prompt and timeous payment of future accounts rendered by the Municipality.

## 3. INCENTIVE DEFINED

### 3.1 Benefits derived by a participant to scheme

- One tenth of verified debt to be written-off every six month until debt is written-off in totality upon the participant fully complying with the conditions of the scheme.
- Assist consumers in improving the status of their municipal account in two ways, namely the decreasing of their existing debt through write-off and assisting them in ensuring that their current accounts do not deteriorate to a similar state.
- Registered Indigents must ensure that their monthly accounts are up-to-date if consumption has been more than the subsidy provided.
- The Incentive Policy is applicable only on debt relating to Service Charges excluding charges on Property Rates.

### 3.2 Benefit to Council

- Promotes sustainable and reliable revenue for the Council for future years.
- Creates amongst consumers the awareness and principle of paying for services consumed.
- Limits the financial burden of bad debt on the municipal council in future years.

**4. CONDITIONS APPLICABLE TO THE SCHEME**

- 4.1 Participant to promptly and timorously pay six (6) consecutive months account rendered. The account must be paid before or on due date.
- 4.2 Participant to honour the acknowledgement of debt agreement entered into for the debt not identified for write-off, failing which it invalidates the application on the Incentive Policy.

**5. WHO MAY APPLY**

- 5.1 Only domestic consumers and educational schools and Hostels service accounts (Rates excluded) that have active accounts at date of application.
- 5.2 Only consumers that have outstanding debts as at the 30<sup>th</sup> June 2016 and the said debt or portion thereof is at date of application still outstanding.<sup>1</sup>

**6. WHO MAY NOT APPLY**

- 6.1 Registered indigent consumers.
- 6.2 Commercial and Industrial consumers.
- 6.3 Government Departments, which includes schools and Parastatals.
- 6.4 Consumers utilising domestic premises to operate businesses.

**7. METHOD OF COMMUNICATION ON THE SCHEME**

- 7.1 The incentive scheme will be advertised in different mediums - newspapers, road shows and through the monthly statements.
- 7.2 A consumer must then complete an application form.
- 7.3 A reconciliation of the account will then be performed to verify whether the applicant qualifies.

**8. THE PROCEDURE APPLICABLE**

- 8.1 Verified debt as at 30<sup>th</sup> June 2016<sup>2</sup> to be "parked" and written-off in instalments as the conditions are met.
- 8.2 Verified debt accrued after 1<sup>st</sup> July 2016<sup>3</sup> to be dealt with via an acknowledgement of debt and arrangement for payment by the participant.
- 8.3 Incentive to be applied with effect from the 1<sup>st</sup> July 2010 retrospectively and upon approval.

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<sup>1</sup> Recommended for adjustment

<sup>2</sup> Recommended for adjustment

<sup>3</sup> Recommended for adjustment

## 9. INCENTIVE CALCULATION

One tenth of applicable debt to be written-off upon the participant promptly and timorously paying six (6) consecutive months account rendered in addition to the acknowledgement of debt accrued after 1st July 2016.<sup>4</sup>

### Example

(a)	Verified outstanding debt as at the 30 <sup>th</sup> June 2016 amounts to	R5 000-00
(b)	Incentive portion written off each quarter 1/10 <sup>th</sup> of debt as per (a)	R500-00
(c)	Verified outstanding debt for the period accrued after 1st July 2016	R2 400-00
(d)	Monthly accounts rendered	
	Account rendered for July 2017	R352-60
	Account rendered for August 2017	R201-49
	Account rendered for September 2017	R165-82
	Account rendered for October 2017	R199-61
	Account rendered for November 2017	R210-99
	Account rendered for December 2017	R332-84
		<u>R1 463-35</u>
(e)	Acknowledgement of debt agreement (2400/36)	R66-67 per month

### Incentive calculation

- The R5 000-00 is "parked thereby targeting it for write-off.
- An agreement is entered into for the R2 400 at R66-67 per month (2400/36)
- For every six consecutive months that the participants' current account and the arrangement of (66-67) must be paid up, an amount of R500-00 will be written-off from the "parked debt".

## 10. PARTICIPANTS TO THE SCHEME THAT DEFAULT

- 10.1 Participants, who default will not automatically be removed from the scheme, however their participation will be automatically suspended by the financial system that Council is using should they be in default for by two months or more.
- 10.2 The participants, in order to be reinstated on the Incentive Policy, must pay all outstanding amounts from the last account which was paid.
- 10.3 The incentive portion will only be affected if the participant has fully complied with the said conditions referred to in Section 4 of this scheme.
- 10.4 Participants who default on a regular basis will at management's discretion be removed from the scheme and normal credit control actions in terms of the bylaws will be instituted.

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<sup>4</sup> Recommended for adjustment

Petty Cash Policy



## PETTY CASH POLICY

Date of implementation: 01 July 2010



## Petty Cash Policy

### 1. INTRODUCTION

The management of expenditure of the municipality in an effective and controlled manner is the responsibility of the Accounting Officer of the municipality. Therefore the following petty cash policy is adopted by the Witzenberg Municipality.

Witzenberg Municipality includes the towns and rural areas of:

Ceres,  
Prince Alfred's Hamlet,  
Op-die-Berg,  
Tulbagh, and  
Wolseley

### 2. OBJECTIVES

To comply with regulatory framework in terms of the relevant legislation.

### 3. REGULATORY FRAMEWORK

- a) The Municipal Finance Management Act (56 of 2003)
- b) Paragraph 15 of the Municipal Supply Chain Management Regulations of 2005
- c) Paragraph 15 of the Municipal Supply Chain Management Policy

### 4. RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of the MFMA (Section 65) are:

- (1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—
  - (a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
  - (b) that the municipality has and maintains a management, accounting and information system which—
    - (i) recognises expenditure when it is incurred;
    - (ii) accounts for creditors of the municipality; and

### **Petty Cash Policy**

- (iii) accounts for payments made by the municipality;
- (c) that the municipality has and maintains a system of internal control in respect of creditors and payments;
- (d) that payments by the municipality are made—
  - (i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
  - (ii) 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 Municipal Manager hereby delegates authority to the Chief Financial Officer.

## **5. PETTY CASH PURCHASES**

Petty cash requests will be made to the designated Petty cash officer in writing. The applicant must ensure that the items requested must be approved Petty Cash items. Petty cash officers will be held accountable for the safe guarding of petty cash.

- (a) Petty cash is strictly restricted to cash purchases:
  - i. up to a transaction value of R2 000.00 (VAT included)
- (b) Approved list of Petty cash purchases are as follows:
  - i. Condolences, well wish cards, bouquets and flowers; keys for offices;
  - ii. Temporary vehicle licensing and public driver permits
  - iii. Tollgate fees when an employee is driving with an official vehicle registered in the name of council
  - iv. Refunds (Library book fees);
  - v. Refreshments and catering
  - vi. Purchase other than that specified in (i) to (v) above, may be approved by the CFO in exceptional cases where it is impractical or impossible to follow the official procurement processes provided that:
    - 1. No approved store items may be purchased by means of a petty cash transaction;
    - 2. No fixed asset may be purchased by means of a petty cash transaction;
    - 3. No travel and subsistence claims or disbursements may be paid via petty cash;
    - 4. Purchases are not split over two or more cash purchase claims;

## Petty Cash Policy

### **6. MAXIMUM AMOUNT OF PETTY CASH PER MONTH**

Petty cash will only be held in Ceres. The maximum float may not exceed R5 000.00 at any point in time. The maximum amounts of petty cash purchases are limited to R10 000.00 per month.

### **7. REPORTING**

A monthly reconciliation report must be provided within 5 working days after month end to the chief financial officer, including:

- (a) The total amount of petty cash purchases for that month: and
- (b) Receipts and appropriate documents for each purchase



## **INDIGENT POLICY**

### **OUR VISION**

A Municipality that cares for its community, creating growth and opportunities.

### **OUR MISSION**

The Witzenberg Municipality is committed to improve the quality of life of its community by:

- Providing and maintaining affordable services.
- Promoting Social and Economic Development
- The effective and efficient use of available resources
- Effective Stakeholder and Community participation

Reviewed by Council 30/05/2017  
Reviewed by Council 18/05/2016  
Reviewed by Council 28/09/2011  
Adopted by Council 15/06/2010

# INDEX

1. INTRODUCTION
2. AIM
3. OBJECT OF THE POLICY
4. PRINCIPLES
5. DEFINITIONS
6. CRITERIA
7. BENEFITS
8. ADMINISTRATIVE PROCEDURES
9. COMMENCEMENT
10. ANNEXURES

## 1. INTRODUCTION

Witzenberg acknowledges the fact that priority must be given to the basic needs of the community and that the social and economical development of the community is assisted in an effort to provide access to the basic level of service in terms of the Constitution of South Africa, Sect 152 (1) (b) and 153 (b).

In an effort to make basic services accessible to the poor and to contribute to poverty alleviation program of National Government, the Council will allocate funds to assist the Poor. This policy, the Indigent Policy, is the tool to ensure that eventually the poor is in the safety net and are protected from measures to deny them access to the basic services. It is however acknowledge that the assistance will only be possible with the assistance of National Governments Fiscal.

## 2. AIM

To ensure a sound and sustainable manner to provide affordable basic services to the Poor by means of assisting them financially within the legal framework of the powers and functions of the Municipality in order to improve the livelihood, in an effort to creating a prosperous Municipality free of poverty.

## 3. OBJECT OF THE POLICY

The object of this policy is to:

- Ensure a transparent, accountable and sustainable manner to assist the poor to access of basic services as defined later in the policy;
- Ensure a sustainable manner to assist the poor with the graveyard costs, transfer duties and to change the municipal accounts in the cases of death, legal separation, divorce, etc. when necessary; and to
- Ensure that a fair portion of the equitable share, as provided by National Government, is utilized as a contribution to poverty alleviation.

## 4. LEGAL FRAMEWORK

The legal framework within to provide basic services, are in terms the Constitution of South Africa:

- Sect 152 (1) (b) – provision of services in sustainable manner,
- Sect 153 (b) – participation in national and provincial programs, and

- Sect 156 – powers and functions to be preformed by the municipalities.

Section 74(2)(c) of the Systems Act, Act 32 of 2000 deals with the ability of the municipality to make provision for the provision of access to at least basic services for the poor households. Sect 118 of the same Act provides the powers to the Municipality to issue clearance certificates and to hold back those of owners who are in arrears.

It is also seen that Sect 151(1) (b) of the Constitution, read with Section 74(2) (c) of the systems act provides enough powers to the Municipality to subsidize the poor with regard to other tariffs as well as to ensure that the household can maintain access to basic services when the head of the household should pass away.

## 5. DEFINITIONS

In this policy the under mentioned means, unless the context indicates otherwise-

“Household” a family unit consisting of a head of the family, and his or her spouse.<sup>1</sup>

“Indigent household” a household that complies with the criteria as determined in section 6 of this policy.

“Income” All sources of income of a head of the family, and his or her spouse<sup>2</sup>, for example salaries, allowances, pensions, rental and business income not limiting it to the examples mentioned, excluding state child support grants, care dependency grants, foster care grants or maintenance support.<sup>3</sup>

“Spouse” includes husband, wife or living partner, including traditional marriages.<sup>4</sup>

## 6. CRITERIA

Assistance is provided to households that meet the criteria as set out in 6.1 and to old age homes that meet the criteria as set out in 6.2.

6.1. The qualification criteria for urban households in order to receive assistance are as follow:

6.1.1. The head of the household must be a South African citizen;

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<sup>1</sup> Recommended for amendment

<sup>2</sup> Recommended for amendment

<sup>3</sup> Amended by Council 28/09/2011

<sup>4</sup> Recommended for inclusion

- 6.1.2. An application on the prescribe form, fully completed with the required information and signed, must be provided;
  - 6.1.3. The household, except in the case of rural households, must receive an account from the Municipality of Witzenberg;
  - 6.1.4. No member of the household, except in the case of rural households which resides on the farm where he/she works and is not the owner, may own a fixed property other than the site on which the household resides; and
  - 6.1.5. The household joint gross income may not exceed the level of R 3,000 per month.
  - 6.1.6. Two individual government pension (old age or disability) that exceeds the threshold as per 6.1.5 may qualify if it is the only household income.<sup>5</sup>
  - 6.1.7. The municipal manager may approve a household as indigent in exceptional circumstances.<sup>6</sup>
- 6.2. The qualification criteria for old age homes in order to receive assistance are as follows:
- 6.2.1. More 50% of the residence within the old age home must receive less than R 3,000 per month income; and
  - 6.2.2. An application on the prescribe form, fully completed with the required information and signed, must be provided.

## **7. BENEFITS**

All benefits are awarded in the form of free use consumption tickets or as a subsidy on the municipal account.

The following benefits are available for:

- 7.1. Households with a joint gross household income less than R 3,000
  - 7.1.1 Property rates

In terms of the Property Rates Act, Act 6 of 2004, section 17(h) all residential sites are exempt from the first R 15,000 of the market value on property. As additional subsidy the Municipality will increase this level to R 85,000 by means of a subsidy in the form of a credit on the

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<sup>5</sup> Recommended for amendment

<sup>6</sup> Amended by Council 30/05/2017



municipal account. This subsidy will be equal to the smallest of R 85,000 market value or the total valuation of property.

#### 7.1.2 Electricity

A subsidy equal to the amount charged for the first 50 kWh consumed per month.

#### 7.1.3 Water

A subsidy equal to the amount charged for the first 6 kilolitres consumption per month as well as 100% subsidy on the basic charge for water, where the Municipality is the service providers.

#### 7.1.4 Sanitation

A subsidy equal to 100% of the amount charged for the service per month where the Municipality is the service provider.

#### 7.1.5 Refuse removal

A subsidy equal to 100% of the amount charged for the service per month where the Municipality is the service provider.

#### 7.1.6 House rental

A subsidy equal to 100% of the amount charged in the case of municipal sub economical rental stock as house rental per month

#### 7.1.7 Graveyard costs

A subsidy equal to 100% of the amount charged for graveyard cost. The subsidy can be in terms of every deceased member of the household and minor dependents.

#### 7.1.8 Transfer costs

7.1.8.1. A subsidy equal to 100% of the amount charged for transferring the municipal services accounts as a result of death of the head of the household. In the event of separation or divorce, the person who is residing at this plot, qualifies for the subsidy on transfer costs. This household is also exempt from making a consumer deposit or to increase the existing deposit.

7.1.8.2. A subsidy equal to 100% of the costs of an attorney to transfer the property into the spouse name, this as a result of death of the head of the household whilst approved as a Indigent household and the current registration is not in both parties name registered in the

deeds office. The appointment of the attorney is entirely the prerogative of the Municipality.

## 7.2. Old age Homes

### 7.2.1 Electricity

A subsidy equal to 10% of the amount charged for the service per month

### 7.2.2 Water

A subsidy equal to 81.2% of the amount charged for the service per month

### 7.2.3 Sanitation

A subsidy equal to 59% of the amount charged for the service per month.

### 7.2.4 Refuse removal

A subsidy equal to 33% of the amount charged for the service per month.

## 7. A Restrictions / limitations on indigent relieve:<sup>7</sup>

- (i) The water meters of indigents who consumed in excess of 6 kilolitre water per month and do not pay regularly for the excess can be replaced with water management meters, and the consumption can be limited to a minimum of 200 litres per day (6 kilolitres per month);
- (ii) The electricity meters of indigents who consumed in excess of 50 kWh units of electricity per month and do not pay regularly for the excess can be replaced with split prepaid meters and the connection can be limited to a minimum of 20 Amps;
- (iii) The cost of the replacement meters will be borne by the municipality.

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<sup>7</sup> Amended council 28/09/2011

## **8. ADMINISTRATIVE PROCEDURES**

### **8.1. Organizational Structure**

The organizational structure dealing with assistance to the poor is split in decision making and execution.

The decision making component will consist of the elected councilors in the Finance Committee, with the execution unit being the advisors of the committee.

Responsibilities of the Committee:

This committee will ensure that recommendations be made with regard to:

- Policy changes;
- Monitoring of the assistance provided; and
- Serve as the dispute handling committee.

The execution portion will be dealt with by the Social and Economic Development unit of Witzenberg Municipality.

Responsibilities of the unit will include at least:

- Assist households with applications;
- Consider applications according to criteria
- Approve applications;
- Ensure implementation of approved applications;
- Keep administrative record of all applications,
- Assist in reconciling information with the financial system; and
- Prepare monitoring reports.

### **8.2. Application Procedure**

8.2.1. The head of the household, if not the municipal account holder supported by the municipal account holder, must apply for the subsidy in person. The onus to apply is placed on the head of household.

8.2.2. The application must be on the prescribe application form. Attached as Annexure 8.1.2.

8.2.3. The application form must at least include the following documents:

- Copy of the latest municipal accounts, where applicable;
- Copy of the head of the household identification document and in the case of not the account holder the account holder documentation;

- Copy of the deceased identification and death certificate documents, where applicable;
- Proof of income, certified by employer as a true reflection, if applicable;
- Copy of the pension card, UIF card, or interest certificate, etc, if applicable; and
- An affidavit that certifies that the information provided is the truth and nothing but the truth. (Attached as Annexure 8.1.3)
- Copy of the last three months bank statements when required.

8.2.4. The municipality acknowledged the fact that support must be offered in order to ensure access to the subsidy. For this purpose a unit is in tack to assist the poor. All applications must be lodged at this unit, called the Social & Economic Development unit of Witzenberg Municipality.

8.2.5. The Municipality reserves the right that an official of the unit may visit the household residing place in order to establish or confirm the information provided.

8.2.6. The Municipality reserves the right to verify information received by means of ITC checks.<sup>8</sup>

8.2.7. The Municipality undertakes to remind the household, two months prior to expiry of the approval, of the expiry. The non-receiving of the notice in the form of a house visit, letter or via the municipal account will not place the responsibility on the Municipality to ensure re-application.

### **8.3. Measurement and duration of applications for approval**

8.3.1. Measurement whether the application qualify in terms of the criteria as set in section 6 is based on the information as on the date of the application. The municipality reserves the right to lodge their own investigation in order to ensure compliance with the criteria.

8.3.2. An approved application is valid for a period of twelve months.

8.3.3. If an applicants financial position changes and it is of a permanent nature the applicant must inform the Municipality of the change. If the change affect the household in such a manner that it no longer meet the criteria as set in section 6 the approval will automatically stop.

8.3.4. The onus rest with the applicant to inform the Municipality of any such changes.

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<sup>8</sup> Recommended for amendment

8.3.5. The approval will stop automatically two months after the head of the household passed away. If the household left behind is still financially in the same position the subsidy must be transferred to the new head of the household. The onus to apply is placed on the new head of the household.

#### **8.4. Disputes**

Any dispute based on the administrative process or approval of an application will be dealt with by the Finance Committee. The Committee may call the applicant to put their dispute in words or ask the applicant to put it in writing. The Social and Welfare unit must be afforded to provide the committee with documentary proof of the process followed and or reasons for the decision made. The committee may not include in their decision any deviation of this policy.

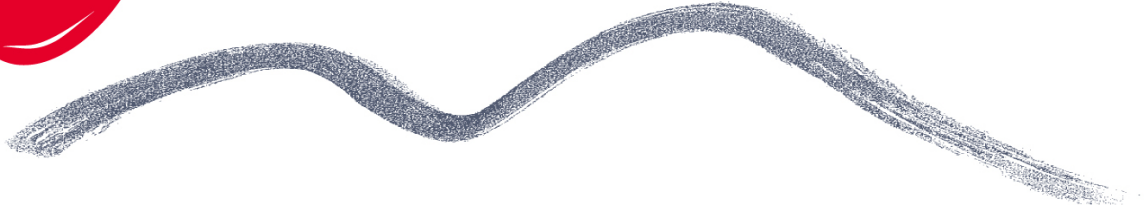
#### **9. COMMENCEMENT DATE**

This amended policy takes effect as from the 28 September 2011.



# WITZENBERG

Municipality • Munisipaliteit • UMasipala Wase



## BUDGET VIREMENT POLICY

Date of implementation 01 July 2010

## Index

1. Definitions
2. Abbreviations
3. Objective
4. Financial Responsibility
5. Transfer/ Virement Restrictions
7. Transfer / Virement Procedure

Annexure "A" Vote Classification

Annexure "B" Item Classification

## 1. Definitions

**“Accounting officer”** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA

**“Approved budget”** means an annual budget approved by a municipal council.

**“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality as defined in the Budget Policy of the Council

**“Chief financial officer”** means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.

**“Deputy Chief financial officer”** Deputy Director: Finance<sup>1</sup>

**“Capital Budget”** This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods

**“Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.

**“Financial year”** means a 12-month year ending on 30 June.

**“Line Item”** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures [See annexure “B” for current item structure]

**“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.

**“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

**“Service delivery and budget implementation plan”** means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget.

**“Virement”** is the process of transferring an approved budget allocation from one vote to another, with the approval of the Municipal Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

**“Vote”** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. [See annexure “A” for current Vote structure]

**“Budget transfer”** means the transfer of an approved budget allocation from one operating or capital line item to another within a vote, with the approval of the relevant senior manager.

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<sup>1</sup>Updated 31/05/2012 Council meeting



## 2. Abbreviations

- 2.1. CFO – Chief Financial Officer
- 2.2. Deputy CFO: Deputy Chief Financial Officer
- 2.3. IDP – Integrated Development Plan
- 2.4. MFMA – Municipal Finance Management Act No. 56 of 2003
- 2.5. SDBIP -Service delivery and budget implementation plan
- 2.6. CM – Council Minute/s

## 3. Objective

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

## 4. Financial Responsibilities

- 4.1 Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments is identified at the earliest possible opportunity. (Section 100 MFMA)
- 4.2 The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)
- 4.3 It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

## 5. Virement Restrictions

- 5.1 No funds may be viremented between votes without consent of both vote holders and the Municipal Manager.
- 5.2 Virements may not exceed a maximum annual limit of 5 % per vote from which the virement originates.
- 5.3 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years.
- 5.4 No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Mayoral Committee.

- 5.5 No funds may be transferred between line items without approval of the vote holder authorization, in other words the senior Manager's approval.
- 5.6 Budget may not be transferred from Support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure, Insurance and Income Foregone.
- 5.7 Budget may only be transferred from or to Salaries or employee related costs if approved by the CFO.
- 5.8 Transfers Virements in capital budget allocations are only permitted within specified action plans and not across funding sources without the written approval of the CFO and the Municipal Manager and must in addition have comparable asset lifespan classifications.<sup>2</sup>
- 5.9 No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO or the Deputy CFO.
- 5.10 An approved virement/transfer does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the supply chain management policy of Council as periodically reviewed.
- 5.11 Virements/transfers may not be made between Expenditure and Income.
- 5.12 No virements/transfers are allowed in terms of income line items.
- 5.13 No virement/transfers are allowed from capital budget to the operating budget
- 5.14 Virements/transfers should not result in new projects on the capital budget without the written approval of the CFO and the Municipal Manager<sup>3</sup>
- 5.15 Virements/transfers of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.
- 5.16 Virements / Transfers to Travelling and Accommodation and Entertainment line items are only permitted with the approval of the CFO and Municipal Manager<sup>4</sup>

## 6. Virement Procedure

- 6.1 All virement/transfer proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- 6.2 All virements must be signed by the Initiator, Vote Holder, Municipal Manager and the official responsible for budgets.
- 6.3 All transfers must be signed by the Initiator, Vote holder, the official responsible to process the proposals and a Line Manager within Finance.
- 6.4 The form must be completed for all Budget Transfers, virements as well as transfers.

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<sup>2</sup>Updated 31/05/2012 Council meeting

<sup>3</sup>Updated 31/05/2012 Council meeting

<sup>4</sup>Updated 31/05/2012 Council meeting

- 6.5 Virements/transfers in excess of R 50,000 require the approval of the Deputy CFO and Virements / Transfers in excess of R 200,000 require the approval of the Chief Financial Officer<sup>5</sup>
- 6.6 All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- 6.7 The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

## APPENDIX A

## WITZENBERGMUNICIPALITY

## GFS CLASSIFICATION, COST CENTRE &amp; VOTE STRUCTURE

GFS Classification	Cost centres	Municipal Votes	Vote Holder (Responsible Sec 57 Appointment)	Support Vote Holder (Responsible Line Manager)
Budget & Treasury Office	Property rates	Budget & Treasury Office	Director: Financial Services	Manager: Income
Budget & Treasury Office	Treasury: Administration	Budget & Treasury Office	Director: Financial Services	Manager: Financial Administration
Budget & Treasury Office	Treasury: Debtors	Budget & Treasury Office	Director: Financial Services	Manager: Income
Budget & Treasury Office	Treasury: Credit control	Budget & Treasury Office	Director: Financial Services	Manager: Income
Budget & Treasury Office	Treasury: Supply Chain	Budget & Treasury Office	Director: Financial Services	Manager: Supply Chain
Budget & Treasury Office	Treasury: Audit	Budget & Treasury Office	Director: Financial Services	Manager: Financial Administration
Community & Social Services	Cemeteries	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Community & Social Services	Library services	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Community & Social Services	Community Halls & Facilities	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Community & Social Services	Thusong Centre	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Community & Social Services	Social & Welfare services	Community & Social Services	Director: Community Services	Manager: Social and Economic services
Corporate Services	Control centre	Community & Social Services	Director: Community Services	Manager: Protection Services
Corporate Services	Property maintenance	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Corporate Services	Administration	Corporate Services	Director: Corporate Services	Manager: Administration
Corporate Services	Property administration	Corporate Services	Director: Corporate Services	Unknown
Corporate Services	Information Technology	Corporate Services	Director: Corporate Services	Manager: Administration
Corporate Services	Human resources	Corporate Services	Director: Corporate Services	Manager: Human Resources
Corporate Services	Tourism	Corporate Services	Director: Corporate Services	Manager: Communications
Corporate Services	Administration	Corporate Services	Director: Corporate Services	Manager: Administration
Corporate Services	Mechanical Workshop	Electro Technical Services	Director: Technical Services	Head: Electro Technical Services
Corporate Services	Marketing & Communications	Corporate Services	Director: Corporate Services	Manager: Communications
Electricity	Electricity: Administration	Electro Technical Services	Director: Technical Services	Head: Electro Technical Services
Electricity	Electricity: Client Services	Electro Technical Services	Director: Technical Services	Head: Electro Technical Services
Electricity	Electricity: Generation	Electro Technical Services	Director: Technical Services	Head: Electro Technical Services
Electricity	Electricity: Distribution	Electro Technical Services	Director: Technical Services	Head: Electro Technical Services
Environmental Protection	Environmental Protection	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Executive & Council	Municipal Manager	Executive & Council	Municipal Manager	Manager: IDP

<sup>5</sup>Updated 31/05/2012 Council meeting

**APPENDIX A**  
**WITZENBERGMUNICIPALITY**

**GFS CLASSIFICATION, COST CENTRE & VOTE STRUCTURE**

GFS Classification	Cost centres	Municipal Votes	Vote Holder (Responsible Sec 57 Appointment)	Support Vote Holder (Responsible Line Manager)
Executive & Council	Council cost	Corporate Services	Director: Corporate Services	Manager: Administration
Executive & Council	Town secretary	Corporate Services	Director: Corporate Services	Manager: Administration
Executive & Council	Chief Executive's	Executive & Council	Municipal Manager	Manager: IDP
Housing	Housing: Administration	Housing	Director: Community Services	Manager: Housing
Housing	Housing: Construction	Housing	Director: Community Services	Manager: Housing
Housing	Housing: Maintenance	Housing	Director: Community Services	Manager: Housing
Planning & Development	Licensing & regulation	Community & Social Services	Director: Community Services	Manager: Amenities & Environment
Planning & Development	Local Economical Development	Community & Social Services	Director: Community Services	Manager: Social and Economical services
Planning & Development	Integrated Development Planning	Executive & Council	Municipal Manager	Manager: IDP
Planning & Development	Building Control	Planning	Director: Technical Services	Manager: Planning & Projects
Planning & Development	Town Planning	Planning	Director: Technical Services	Manager: Planning & Projects
Planning & Development	Project Management	Planning	Director: Technical Services	Manager: Planning & Projects
Planning & Development	Performance Management	Planning	Director: Technical Services	Manager: Planning & Projects
Public Safety	Electricity: Street Lights	Electro Technical Services	Director: Technical Services	Head: Electro Technical Services
Public Safety	Fire Protection	Public Safety	Director: Community Services	Manager: Protection Services
Public Safety	Police & Traffic	Public Safety	Director: Community Services	Manager: Protection Services
Public Safety	Disaster management	Public Safety	Director: Community Services	Manager: Protection Services
Road Transport	Vehicle Licensing & Testing	Public Safety	Director: Community Services	Manager: Protection Services
Road Transport	Roads	Civil services	Director: Technical Services	Manager: Roads & Storm water
Sport and Recreation	Pine forest: Administration	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Pine forest: Security services	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Pine forest: Semi permanent units	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Pine forest: Cleaning services	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Pine forest: Swimming pools	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Klipriver park: Administration	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Klipriver park: Cleaning services	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Klipriver park: Swimming pool	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Sport and Recreation	Parks	Sport & Recreation	Director: Community Services	Manager: Amenities & Environment
Sport and Recreation	Sport grounds	Sport & Recreation	Director: Community Services	Manager: Amenities & Environment
Sport and Recreation	Swimming pools	Sport & Recreation	Director: Community Services	Manager: Resorts & swimming pools
Waste Management	Public Toilets	Civil services	Director: Technical Services	Manager: Solid Waste
Waste Management	Solid Waste - Dumping Site	Civil services	Director: Technical Services	Manager: Solid Waste
Waste Management	Solid Waste - Garden	Civil services	Director: Technical Services	Manager: Solid Waste
Waste Management	Solid Waste - Removal	Civil services	Director: Technical Services	Manager: Solid Waste
Waste Water Management	Sewerage	Civil services	Director: Technical Services	Manager: Water & Sewerage
Waste Water Management	Storm water Management	Civil services	Director: Technical Services	Manager: Roads & Storm water
Water	Water Storage	Civil services	Director: Technical Services	Manager: Water & Sewerage
Water	Water Distribution	Civil services	Director: Technical Services	Manager: Water & Sewerage

**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
3001	3000	Salaries	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3002	3000	Bonuses	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3003	3000	Standby	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3004	3000	Overtime	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3005	3000	Housing Allowances	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3006	3000	Housing Subsidies	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3007	3000	Entertainment Allowances	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3009	3000	Leave paid out	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3010	3000	Transport Allowances	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3011	3000	Resettlement Costs	Employee related costs - Salaries & Wages	Expenditure	Yes*	Yes*
3101	3100	Medical contributions	Employee related costs - Social contributions	Expenditure	Yes*	Yes*
3102	3100	Pension contributions	Employee related costs - Social contributions	Expenditure	Yes*	Yes*
3103	3100	UIF	Employee related costs - Social contributions	Expenditure	Yes*	Yes*
3104	3100	Group Life Insurance	Employee related costs - Social contributions	Expenditure	Yes*	Yes*
3105	3100	Bargaining Council Levies	Employee related costs - Social contributions	Expenditure	Yes*	Yes*
3106	3100	Employees Awards	Employee related costs - Social contributions	Expenditure	No	Yes*
3107	3100	Post-retirement benefits	Employee related costs - Social contributions	Expenditure	No	Yes*
3108	3100	Exgratia Pension	Employee related costs - Social contributions	Expenditure	No	Yes*
3109	3900	Finance Cost Medical	Interest Expense - External borrowings	Expenditure	No	No
3110	3900	Finance Cost Long service	Interest Expense - External borrowings	Expenditure	No	No
3111	3900	Finance Cost Exgratia	Interest Expense - External borrowings	Expenditure	No	No
3301	3300	Employee Cost Transferred	Less Employee Costs Allocated	Expenditure	No	No
3401	3400	Mayor	Remuneration of Councillors	Expenditure	No	No
3402	3400	Deputy Mayor	Remuneration of Councillors	Expenditure	No	No
3403	3400	Speaker	Remuneration of Councillors	Expenditure	No	No
3404	3400	Mayoral Committee Allowances	Remuneration of Councillors	Expenditure	No	No
3405	3400	Councillor Allowances	Remuneration of Councillors	Expenditure	No	No
3406	3400	Medical	Remuneration of Councillors	Expenditure	No	No
3407	3400	Pension	Remuneration of Councillors	Expenditure	No	No
3501	3500	Impairment of debtors	Bad Debts	Expenditure	No	No
3502	3500	Impairment of long-term debtors	Bad Debts	Expenditure	No	No
3503	3500	Impairment Debtors (Non-Exchange)	Debt impairment	Expenditure	No	No
3601	3600	Debt Collection Fees - Extern	Collection costs	Expenditure	Yes	Yes
3602	3600	Summonses & Legal Lawsuits	Collection costs	Expenditure	Yes	Yes
3603	3600	Debt Collection Fees - Intern	Collection costs	Expenditure	Yes	Yes
3701	3700	Depreciation	Depreciation and asset impairment	Expenditure	No	No
3702	3700	Depreciation for Rehabilitation	Depreciation and asset impairment	Expenditure	No	No
3704	3700	Impairment for Rehabilitation	Depreciation and asset impairment	Expenditure	No	No
3705	3700	Amortisation	Depreciation and asset impairment	Expenditure	No	No
3801	3800	Buildings	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3802	3800	Network	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes

**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
3803	3800	Network - Patchwork	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3805	3800	Network - Resealing	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3806	3800	Network - Main roads	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3807	3800	Network - Traffic signs	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3808	3800	Network - Storm water	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3809	3800	Network - Sidewalks	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3810	3800	Meter replacement	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3811	3800	Pump stations	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3812	3800	Efficient treatment works	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3813	3800	Site - works	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3814	3800	Furniture and Equipment	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3815	3800	Vehicles	Repairs and Maintenance - Municipal Assets	Expenditure	Yes	Yes
3816	4400	Maintenance: Swimming Pool	Other Expenditure	Expenditure	Yes	Yes
3817	4400	Repairs & Maintenance- Computer	Other Expenditure	Expenditure	Yes	Yes
3818	4400	Repairs & Maintenance- Plant & Equipment	Other Expenditure	Expenditure	Yes	Yes
3819	4400	Fire Fighting Equipment	Other Expenditure	Expenditure	Yes	Yes
3901	3900	Interest on Bank overdraft	Interest Expense - External borrowings	Expenditure	Yes	Yes
3902	3900	Interest on External Borrowing	Interest Expense - External borrowings	Expenditure	No	No
3903	3900	Unamortized Discount - Interest	Interest Expense - External borrowings	Expenditure	No	No
3904	3900	Interest Cost Employee Benefit	Interest Expense - External borrowings	Expenditure	No	No
3905	3900	Interest Rehabilitation	Interest Expense - External borrowings	Expenditure	No	No
3906	3900	Interest Paid	Interest Expense - External borrowings	Expenditure	No	No
4101	4100	Electricity purchases (KVA)	Bulk purchases	Expenditure	Yes	Yes
4102	4100	Electricity purchases (kWh)	Bulk purchases	Expenditure	Yes	Yes
4104	4100	Electricity purchases (Fixed charges)	Bulk purchases	Expenditure	Yes	Yes
4105	4100	Electricity (Variable charges)	Bulk purchases	Expenditure	Yes	Yes
4201	4400	Bank charges	General Expenses - other	Expenditure	Yes	Yes
4202	4200	Service supplier contracts	Contracted services	Expenditure	Yes	Yes
4203	4200	Rental of Compactor	Contracted services	Expenditure	Yes	Yes
4204	4200	Legal Costs	Contracted services	Expenditure	Yes	Yes
4205	4200	Town & Regional Planning	Contracted services	Expenditure	Yes	Yes
4206	4400	Insurance	General Expenses - other	Expenditure	Yes	Yes
4207	4200	Transport (Contractor)	Contracted services	Expenditure	Yes	Yes
4208	4200	Transport: Cash	Contracted services	Expenditure	Yes	Yes
4210	4200	Cleaning Contract	Contracted services	Expenditure	Yes	Yes
4212	4200	Cleaning Services	Contracted services	Expenditure	Yes	Yes
4213	4200	Upkeep of Valuation records	Contracted services	Expenditure	Yes	Yes
4214	4200	Toilet services	Contracted services	Expenditure	Yes	Yes
4215	4200	Service Supplier Contracts (Se	Contracted Services	Expenditure	Yes	Yes
4220	4200	Security	Contracted Services	Expenditure	Yes	Yes
4221	4200	Legal Cost (Labour)	Contracted Services	Expenditure	Yes	Yes

**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
4301	4400	Subsidy National Government	General Expenses - other	Expenditure	Yes	Yes
4302	4400	Subsidy Provincial Government	General Expenses - other	Expenditure	Yes	Yes
4303	4400	District Municipality	General Expenses - other	Expenditure	Yes	Yes
4304	4400	Grant Other	General Expenses - other	Expenditure	Yes	Yes
4305	5000	Inform. Settl. without account - Refuse	Internal Charges (ACB)	Expenditure	No	No
4306	5000	Inform. Settl. without account - Sewerage	Internal Charges (ACB)	Expenditure	No	No
4307	5000	Inform. Settl. without account - Water	Internal Charges (ACB)	Expenditure	No	No
4308	4400	Grant Belgium - Federal Gov.	General Expenses - other	Expenditure	Yes	Yes
4309	4400	Grant Belgium - Flemish Gov.	General Expenses - other	Expenditure	Yes	Yes
4310	4400	MSIG Wyk 1	General Expenses - other	Expenditure	No	No
4311	4400	MSIG Ward 2	General Expenses - other	Expenditure	No	No
4312	4400	MSIG Ward 3	General Expenses - other	Expenditure	No	No
4313	4400	MSIG Ward 4	General Expenses - other	Expenditure	No	No
4314	4400	MSIG Ward 5	General Expenses - other	Expenditure	No	No
4315	4400	MSIG Ward 6	General Expenses - other	Expenditure	No	No
4316	4400	MSIG Ward 7	General Expenses - other	Expenditure	No	No
4317	4400	MSIG Ward 8	General Expenses - other	Expenditure	No	No
4318	4400	MSIG Ward 9	General Expenses - other	Expenditure	No	No
4319	4400	MSIG Ward 10	General Expenses - other	Expenditure	No	No
4320	4400	MSIG Ward 11	General Expenses - other	Expenditure	No	No
4321	4400	Indigent Electricity (Eskom)	General Expenses - other	Expenditure	No	No
4322	4400	Change of connections	General Expenses - other	Expenditure	No	No
4323	4400	Indigent Change/Transfer cost	General Expenses - other	Expenditure	No	No
4324	4300	Donations	Grants & Subsidies Paid	Expenditure	No	No
4325	4400	Grant exp - Workshops	General Expenses - other	Expenditure	No	No
4326	4400	Grant exp - Development project	General Expenses - other	Expenditure	No	No
4327	4400	Grant exp - Stationary & print	General Expenses - other	Expenditure	No	No
4328	4400	Grant exp - Telephone	General Expenses - other	Expenditure	No	No
4329	4400	Grant exp - Traveling & subsistance	General Expenses - other	Expenditure	No	No
4332	4400	OPEX NAT.Grant Expenditure-FMG	General Expenses - other	Expenditure	No	No
4333	4400	OPEX NAT.Grant Expenditure-MSIG	General Expenses - other	Expenditure	No	No
4334	4400	OPEX NAT.Grant Expenditure-EPW	General Expenses - other	Expenditure	No	No
4335	4400	OPEX NAT.Grant Exp-Transformation	General Expenses - other	Expenditure	No	No
4336	4400	Opex NAT.Grant Exp- DWAF	General Expenses - other	Expenditure	No	No
4337	4400	Opex NAT.Grant Exp- MIG	General Expenses - other	Expenditure	No	No
4338	4400	Opex NAT.Grant Exp- RBIG	General Expenses - other	Expenditure	No	No
4339	4400	Opex NAT.Grant Exp- INEP	General Expenses - other	Expenditure	No	No

**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
4340	4400	Opex Prov.Grant Exp- Library	General Expenses - other	Expenditure	No	No
4341	4400	Opex Prov.Grant Exp- CDW	General Expenses - other	Expenditure	No	No
4342	4400	Opex Prov Grant Exp- Main Road	General Expenses - other	Expenditure	No	No
4343	4400	Opex Prov Grant Exp- Wolseley	General Expenses - other	Expenditure	No	No
4344	4400	Opex Prov Grant Exp- Hand Craf	General Expenses - other	Expenditure	No	No
4345	4400	Opex Prov Grant Exp- Aqua Cult	General Expenses - other	Expenditure	No	No
4346	4400	Opex Prov Grant Exp- Planning	General Expenses - other	Expenditure	No	No
4347	4400	Opex Prov Grant Exp- Housing	General Expenses - other	Expenditure	No	No
4348	4400	Opex Prov Grant Exp- Sport	General Expenses - other	Expenditure	No	No
4349	4400	Opex Prov Grant Exp- PTIP	General Expenses - other	Expenditure	No	No
4350	4400	Opex Prov Grant Exp- Multi Pur	General Expenses - other	Expenditure	No	No
4351	4400	Opex Distr Grant Exp- Asset In	General Expenses - other	Expenditure	No	No
4352	4400	Opex Distr Grant Exp- Water In	General Expenses - other	Expenditure	No	No
4353	4400	Opex Distr Grant Exp- Housing	General Expenses - other	Expenditure	No	No
4354	4400	Opex Distr Grant Exp- Hawkers-	General Expenses - other	Expenditure	No	No
4355	4400	Opex Distr Grant Exp- Streets	General Expenses - other	Expenditure	No	No
4356	4400	Opex Distr Grant Exp- Solid Wa	General Expenses - other	Expenditure	No	No
4357	4400	Opex NAT Grant Exp - Housing	General Expenses - other	Expenditure	No	No
4358	4400	Opex NAT Grant Exp- Rural Dev	General Expenses - other	Expenditure	No	No
4402	4400	Advertising/Printing Stationery	General Expenses - other	Expenditure	Yes	Yes
4404	4400	Pauper Burials	General Expenses - other	Expenditure	Yes	Yes
4405	4400	Rewards	General Expenses - other	Expenditure	Yes	Yes
4406	4400	Fertilisers	General Expenses - other	Expenditure	Yes	Yes
4407	4400	Damages/Replacements	General Expenses - other	Expenditure	Yes	Yes
4409	4400	Chemicals	General Expenses - other	Expenditure	Yes	Yes
4410	4300	Donations	Grants & subsidies paid	Expenditure	No	No
4411	4400	Eskom Electricity	General Expenses - other	Expenditure	Yes	Yes
4412	4400	Advertising	General Expenses - other	Expenditure	Yes	Yes
4413	4400	Gas/Rental of gas bottle	General Expenses - other	Expenditure	Yes	Yes
4415	4400	Dog Expenses	General Expenses - other	Expenditure	Yes	Yes
4416	4400	Rental of Houses	General Expenses - other	Expenditure	Yes	Yes
4417	4400	Rental of Offices	General Expenses - other	Expenditure	Yes	Yes
4418	4400	Communication & Events	General Expenses - other	Expenditure	Yes	Yes
4419	4400	Inspection fees	General Expenses - other	Expenditure	Yes	Yes
4420	4400	Inventory - New	General Expenses - other	Expenditure	Yes	Yes
4421	4400	Koekedouw Dam	General Expenses - other	Expenditure	Yes	Yes
4422	4400	Commission on Recoveries	General Expenses - other	Expenditure	Yes	Yes
4424	4400	Membership fees	General Expenses - other	Expenditure	Yes	Yes
4425	4400	Licensing Radio's	General Expenses - other	Expenditure	Yes	Yes
4426	4400	Machine Rental	General Expenses - other	Expenditure	Yes	Yes
4428	5000	Municipal Services	Internal Charges (ACB)	Expenditure	No	No
4429	4400	Investigations	General Expenses - other	Expenditure	Yes	Yes
4430	4400	Entertainment Mayor	General Expenses - other	Expenditure	Yes	Yes



**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
4431	4400	Entertainment Speaker	General Expenses - other	Expenditure	Yes	Yes
4432	4400	Disinfectants	General Expenses - other	Expenditure	Yes	Yes
4433	4400	Public Drivers permit	General Expenses - other	Expenditure	Yes	Yes
4434	4400	Public Entertainment (Tea & Coffee)	General Expenses - other	Expenditure	Yes	Yes
4435	4400	Training	General Expenses - other	Expenditure	Yes	Yes
4436	4400	Auditing External	General Expenses - other	Expenditure	Yes	Yes
4437	4200	Auditing Internal	Contracted services	Expenditure	Yes	Yes
4438	4400	Plant & pest control (chemical)	General Expenses - other	Expenditure	Yes	Yes
4439	4400	Plant material & seeds	General Expenses - other	Expenditure	Yes	Yes
4440	4400	Post Evaluation Cost	General Expenses - other	Expenditure	Yes	Yes
4441	4400	Publicity/tourism	General Expenses - other	Expenditure	Yes	Yes
4442	4400	Rations	General Expenses - other	Expenditure	Yes	Yes
4443	4400	Travelling & Accommodation	General Expenses - other	Expenditure	Yes	Yes*
4445	4400	Sewerage analysis	General Expenses - other	Expenditure	Yes	Yes
4446	4400	Condolences	General Expenses - other	Expenditure	Yes	Yes
4447	4400	Security Services	General Expenses - other	Expenditure	Yes	Yes
4448	4400	Cleaning materials	General Expenses - other	Expenditure	Yes	Yes
4449	4200	Disconnection of services	Contracted services	Expenditure	Yes	Yes
4450	4400	Developing Projects	General Expenses - other	Expenditure	Yes	Yes
4451	5000	Street lighting	Internal Charges (ACB)	Expenditure	No	No
4454	4400	Study bursary	General Expenses - other	Expenditure	Yes	Yes
4455	4400	Telephone and Postage	General Expenses - other	Expenditure	Yes	Yes
4456	4400	Tourism	General Expenses - other	Expenditure	Yes	Yes
4458	4400	Translation services	General Expenses - other	Expenditure	Yes	Yes
4461	4400	TV Transponder	General Expenses - other	Expenditure	Yes	Yes
4462	4400	Pointing out of markers	General Expenses - other	Expenditure	Yes	Yes
4463	4400	Uniforms	General Expenses - other	Expenditure	Yes	Yes
4464	4400	Insurance Claims Expenses	General Expenses - other	Expenditure	No	No
4465	4400	Skills Development Levies	General Expenses - other	Expenditure	No	No
4466	4400	Trade Union costs	General Expenses - other	Expenditure	Yes	Yes
4467	4400	Consumable Items	General Expenses - other	Expenditure	Yes	Yes
4468	4400	Lost Books	General Expenses - other	Expenditure	Yes	Yes
4469	4400	Courier of Council Notifications	General Expenses - other	Expenditure	Yes	Yes
4470	4400	Vehicle Fleet Costs	General Expenses - other	Expenditure	Yes	Yes
4471	4400	Refuse bags	General Expenses - other	Expenditure	Yes	Yes
4472	4400	Valuation costs	General Expenses - other	Expenditure	Yes	Yes
4473	4400	Laundry expenses	General Expenses - other	Expenditure	Yes	Yes
4474	4400	Water sampling - Waste disposal site	General Expenses - other	Expenditure	Yes	Yes
4475	4400	Water research levy	General Expenses - other	Expenditure	Yes	Yes
4476	3100	Employees Awards	Employee related costs - Social contributions	Expenditure	Yes*	Yes*
4477	4400	Special Projects	General Expenses - other	Expenditure	Yes	Yes
4478	3100	Compensation Commissioner	Employee related costs - Social contributions	Expenditure	No	No

**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
4479	4400	Water Levies	General Expenses - other	Expenditure	Yes	Yes
4480	4400	Water Rights Vredebes	General Expenses - other	Expenditure	Yes	Yes
4481	4400	Audit Committee	General Expenses - other	Expenditure	Yes	Yes
4482	4400	Festivals Contribution	General Expenses - other	Expenditure	Yes	Yes
4483	4400	Heating Fuel	General Expenses - other	Expenditure	Yes	Yes
4484	4400	Inauguration of Mayor	General Expenses - other	Expenditure	Yes	Yes
4485	4400	Awareness program	General Expenses - other	Expenditure	Yes	Yes
4486	4400	Removal of aliens	General Expenses - other	Expenditure	Yes	Yes
4487	4400	Special Projects- Old Age Function	General Expenses - other	Expenditure	Yes	Yes
4488	4400	Cleaning & disinfection material	General Expenses - other	Expenditure	Yes	Yes
4489	4400	TV Licences	General Expenses - other	Expenditure	Yes	Yes
4490	4400	Telephone	General Expenses - other	Expenditure	Yes	Yes
4491	4400	Cell phone	General Expenses - other	Expenditure	Yes	Yes
4492	4400	Data lines	General Expenses - other	Expenditure	Yes	Yes
4493	4400	Postage	General Expenses - other	Expenditure	Yes	Yes
4494	4400	Veldt Fire Roads	General Expenses - other	Expenditure	Yes	Yes
4495	4400	Pound of animals	General Expenses - other	Expenditure	Yes	Yes
4496	4400	Projects	General Expenses - other	Expenditure	Yes	Yes
4497	4400	Mayors Golf day	General Expenses - other	Expenditure	Yes	Yes
4498	4400	Ward Committees	General Expenses - other	Expenditure	Yes	Yes
4499	4400	Inventory - Replacements	General Expenses - other	Expenditure	Yes	Yes
4500	4400	Entertainment Director Finance	General Expenses - other	Expenditure	Yes	Yes*
4501	4400	Entertainment Director Corporate	General Expenses - other	Expenditure	Yes	Yes*
4502	4400	Entertainment Municipal Manager	General Expenses - other	Expenditure	Yes	Yes*
4503	4400	Strategic Partnership	General Expenses - other	Expenditure	Yes	Yes
4504	4400	Generator fuel	General Expenses - other	Expenditure	Yes	Yes
4505	4400	Housing plan & policy	General Expenses - other	Expenditure	Yes	Yes
4506	4400	Relief parcels	General Expenses - other	Expenditure	Yes	Yes
4507	4400	Samro licences	General Expenses - other	Expenditure	Yes	Yes
4508	4400	Courier services	General Expenses - other	Expenditure	Yes	Yes
4509	4400	Public participation	General Expenses - other	Expenditure	Yes	Yes
4510	4400	Steering committee & Forum	General Expenses - other	Expenditure	Yes	Yes
4511	4400	Review process cost	General Expenses - other	Expenditure	Yes	Yes
4512	4400	Vehicle Tracking Costs	General Expenses - other	Expenditure	Yes	Yes
4513	4400	International relationships	General Expenses - other	Expenditure	Yes	Yes
4514	4400	Entertainment Director Technical Services	General Expenses - other	Expenditure	Yes	Yes*
4515	4400	Entertainment Director Community Services	General Expenses - other	Expenditure	Yes	Yes*
4516	4400	Op die Berg Office	General Expenses - other	Expenditure	Yes	Yes
4517	4400	MEDICAL EXAMINATIONS	General Expenses - other	Expenditure	Yes	Yes
4518	4300	Donations	Grants & Subsidies Paid	Expenditure	No	No
4519	4400	Refreshments - Disciplinary &	General Expenses - other	Expenditure	Yes	Yes

**APPENDIX B  
WITZENBERG MUNICIPALITY  
ITEM CLASSIFICATION**

Line Item number	NT code	Description	Classification	Comment	Transfer From	Transfer To
4520	4400	FIRE AMMUNITION	General Expenses - other	Expenditure	Yes	Yes
4521	4400	Fire Fighting Foam	General Expenses - other	Expenditure	Yes	Yes
4522	4400	Corporate Branding	General Expenses - other	Expenditure	Yes	Yes
4523	4400	Consultant Fees	General Expenses - other	Expenditure	Yes	Yes
4524	4400	In-service Training	General Expenses - other	Expenditure	Yes	Yes
4525	4400	Stock losses/write-off's	General Expenses - other	Expenditure	Yes	Yes
4526	4400	Actuarial Loss	General Expenses - other	Expenditure	Yes	Yes
4527	4400	Registrar of Deeds	General Expenses - other	Expenditure	Yes	Yes
4528	4400	Vehicle Cost Grant	General Expenses - other	Expenditure	Yes	Yes
4529	4400	Vehicle Repair Grant	General Expenses - other	Expenditure	Yes	Yes
4530	4400	Cleaning of Rivers	General Expenses - other	Expenditure	Yes	Yes
4531	4400	Festive Lights	General Expenses - other	Expenditure	Yes	Yes
4532	4400	Monitoring Alarm	General Expenses - other	Expenditure	Yes	Yes
4533	4400	Generator Repairs	General Expenses - other	Expenditure	Yes	Yes
4534	4400	Prepaid Electricity (Internal)	General Expenses - other	Expenditure	Yes	Yes
4535	4400	DRIVERS PDP'S & LICENSING	General Expenses - other	Expenditure	Yes	Yes
4536	4400	Towing Cost	General Expenses - other	Expenditure	Yes	Yes
4537	4400	Life Guards	General Expenses - other	Expenditure	Yes	Yes
4538	4400	PPP Investigations	General Expenses - other	Expenditure	Yes	Yes
4903	5000	Internal Recoveries (ABC)	Internal Charges (ACB)	Expenditure	No	No
5101	6210	Asset replacement reserve to	Contributions (from)/ to provisions	Nett Assets	No	No
5102	6280	Back dated Remuneration	Contributions (from)/ to provisions	Nett Assets	No	No
5103	6280	Redundant/ shortages of stock	Contributions (from)/ to provisions	Nett Assets	No	No
5104	6280	Valuation reserve to	Contributions (from)/ to provisions	Nett Assets	No	No
5105	4450	Provision Landfill rehabilitation	Contributions (from)/ to provisions	Expenditure	No	No
5202	6220	Housing account	Contributions (from)/ to provisions	Nett Assets	No	No

Under special conditions as contained in the policy

Yes\*



## **ASSET MANAGEMENT POLICY**

Date of Implementation: 01 July 2010

**TABLE OF CONTENTS**

1. INTRODUCTION
2. OBJECTIVE
3. STATUTORY FRAMEWORK
4. ACCOUNTING STANDARDS
5. DEFINITIONS
6. BACKGROUND
7. DELEGATION OF POWERS
8. RESPONSIBILITY
9. ASSET REGISTER
10. CLASSIFICATION OF ASSETS
11. CAPITALISATION CRITERIA
12. DEPRECIATION
13. AMENDMENT OF ASSET LIVES AND DIMNUTION IN THE VALUE OF PPE
14. IMPAIRMENT OF ASSETS
15. REVALUATION OF ITEMS OF PPE
16. ACQUISITION OF ASSETS
17. PURCHASE OR HIRE OF IMMOVABLE PROPERTY
18. GUIDELINE PROCEDURES FOR ADDITIONS TO ASSETS
19. FUNDING OF PPE AND RESERVES
20. ALIENATION OF ASSETS
21. GUIDELINE PROCEDURES FOR THE DISPOSAL OF ASSETS
22. OTHER WRITE-OFFS OF PPE
23. MANAGEMENT AND OPERATIONS OF ASSETS
24. MAINTENANCE
25. REPLACEMENT STRATEGY
26. TRANSFER OF ASSETS
27. PHYSICAL SECURITY OF ASSETS
28. INSURANCE OF ASSETS
29. SHORT TITLE

## 1. INTRODUCTION

This policy for the management of assets has been designed to assist management and officials of the Witzenberg 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 Witzenberg Municipality.

## 2. OBJECTIVE

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

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

## 3. STATUTORY FRAMEWORK

The statutory framework for this policy is:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- Local Government: Municipal Structures Act, No 117 of 1998;
- Local Government: Municipal Systems Act, No 32 of 2000;

- Local Government: Municipal Finance Management Act, No. 56 of 2003;
- Regulation No. 31346 of 2008;
- Municipal Supply Chain Management Regulations No. 27636;
- Generally Recognised Accounting Practice.

#### 4. ACCOUNTING STANDARDS

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

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

Other relevant accounting standards are:

- GRAP 12 on Inventories
- GRAP 11 on Construction Contracts

#### 5. DEFINITIONS

Every effort has been made to use definitions established through legislation, standards of accounting and other guidance on asset management.

**“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 item 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:

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

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

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

**“Biological Asset”** is a living animal or plant.

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

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

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

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

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

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

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

**“Cost”** – is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or where applicable, the amount attributed to that asset when initially



recognized in accordance with the specific requirements of Standards of GRAP.

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

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

**“Depreciated replacement cost”**, in relation to a capital asset, means an amount equivalent to the cost to replace the capital asset 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 asset.

**“Disposal”**, in relation to a capital asset, includes –

- (a) the demolition, dismantling or destruction of the capital asset; or
- (b) any other process applied to a capital asset which results in loss of ownership of the capital asset 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 an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

**“GRAP”** is Standards of Generally Recognised Accounting Practice

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

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

**“Historical cost”** means the original purchase price or cost of acquisition of the capital asset at the time the asset was acquired

An **“impairment loss”** of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

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

**“Infrastructure assets”** are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage

purification and trunk mains, transport terminals and car parks.

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

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

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

**“Municipality”** means the Witzenberg Municipality.

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

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

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

**“Realisable value”** means the amount of cash or cash equivalents that could currently be obtained by transferring the capital asset, 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 an asset, 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 an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset 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 asset for a period exceeding one calendar month without ceding legal ownership in the asset. In other words, where the granting of such rights do not amount to the transfer or permanent disposal of the asset, for example when a right is acquired through a leasing, letting or hiring out arrangement.

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

**“Service provider”** –

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

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

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

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

**“Useful Life”** – is either:

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

## 6. BACKGROUND

The utilization and management of property, plant and equipment, 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**

### **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.

### **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.
- 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.

### **Senior Managers**

The Senior Managers must ensure that:-

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

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

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

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

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

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

Upon the resignation / retirement of an employee, the applicable senior manager must inform the Chief Financial Officer and Corporate Service 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 Corporate Services 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 asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The asset register shall reflect the following information:

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

- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- method of calculating recoverable amount (when impairment test are required in terms of GRAP)
- increases or the decreases resulting from revaluations (if applicable)
- the source of financing
- condition of the asset
- the current insurance arrangements
- whether the asset is required to perform basic municipal services
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such
- security arrangements
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

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

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

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

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

Depreciation methods and rates used must be approved by the Chief Financial Officer.

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**

- Land (not held as investment assets).
- Infrastructure assets (assets which are part of a network of similar assets).
- Community assets (assets contributing to the general well-being of the community).
- Heritage assets (culturally significant assets).
- Other assets (ordinary operational assets).
- Housing (rental stock or housing stock not held for capital gain).

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

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

## **10.2 Investment Property**

Investment assets (resources held for capital or operational gain and which are not used by the Municipality). Properties occupied by the Municipality, Councillors 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 annually be revalued.

## **10.3 Intangible Assets**

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

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

## **10.4 Agricultural Assets**

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

## **10.5 Assets Treated as Inventory**



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

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

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

## **11. CAPITALISATION CRITERIA**

### **PPE and Intangible Assets**

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

- Senior managers shall at all times ensure that there are enough funds in their departmental budgets before requesting approval to any requisition to purchase an asset;
- Senior managers shall ensure that the correct vote and expenditure line item are used and recorded on the requisition requesting approval to purchase an asset;
- Tenders or quotations as required in terms of council's Supply Chain Management policy should be obtained and where required submitted to council's tender committee for approval;
- The tender committee resolution of the approved tender or recommended quotation should be attached to the requisition signed by the relevant head of department;
- The order would then be generated by the Budget and Treasury department;
- Once delivered the asset must be labelled / bar-coded by the Budget and Treasury department before such asset is put into use;
- The senior manager should endorse receipt of the asset on the invoice and forward it for payment to the Budget and Treasury department; and
- The Budget and Treasury department would then generate payment.

The completion of any immovable asset by or under control of every head of department should promptly be declared to the Chief Financial Officer in writing

stating the full details required for recording in the assets register.

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

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

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

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

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

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

### **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.

### **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, and installation, assembly and communication costs.

### **Intangible Assets**

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

### **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 fixed 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.

### **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**

### **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 annually.

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.

### **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 annexure to this document as a guideline.

In the case of an item of PPE which is not listed in this annexure, 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.

### **Method of Depreciation**

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

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

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

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

The Chief Financial Officer shall amend the useful operating life assigned to any item of PPE if it becomes known that such item has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the item's economic benefits or service potential will be consumed.

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

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

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

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

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

#### **14. IMPAIRMENT OF ASSETS**

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

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

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

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

The following may be indicators that an asset is impaired:

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

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

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

## **15. REVALUATION OF ITEMS OF PPE**

All land and buildings recorded in the Municipality's asset register shall be revalued when the Council is of the opinion that economic conditions have had a substantial impact on the on the value of land and buildings within the municipal area. Under such circumstances a sworn valuer will be appointed to perform a valuation of all land and 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**

### **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 use full 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.

### **Approval to Acquire Property, Plant and Equipment**

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.

### **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:
  - o In the case of the following paragraph complies with the requirements of that paragraph; and
  - o 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:
  - o The price is in excess of the market value thereof as assessed by an appraiser; or
  - o The rental which, when calculated per annum in the case of:
    - Immovable property hired for agricultural purposes, exceeds six present; and
    - Immovable property hired for any other purpose, exceed twelve present of the market value of the property, as assessed by an appraiser.

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

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

## **18. GUIDELINE PROCEDURES FOR ADDITIONS TO ASSETS**

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

## **19. FUNDING OF PPE AND RESERVES**

The purchase of assets may be funded from the raising of external loans, leases, government- and public contributions, the Capital Replacement Reserve and surplus cash.

The Chief Financial Officer shall ensure that in respect of all assets financed from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of assets donated to the Municipality, a government grants reserve or public contribution reserve for future depreciation is created equal in value to the capitalised value of each item of asset in question.

The Chief Financial Officer shall thereafter ensure that in the case of depreciable PPE an amount equal to the annual depreciation expenses of the items concerned are transferred each year from such reserve to the Municipality's accumulated surplus.

## **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 R200 000 (two hundred thousand rand). The council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R200 000 (two hundred 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;
- That a public participation process be held before council's assets can be alienated.

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.

All gains realised on the alienation of assets shall be appropriated annually to the municipality's Capital Replacement Reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the Statement of Financial Performance of the department or vote concerned.

If, however, both gains and losses arise in any one financial year in respect of the alienation of the assets of any department or vote, only the net gain (if any) on the alienation of such assets shall be appropriated to the Capital Replacement Reserve.

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 update in the asset register:

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

## **22. OTHER WRITE-OFFS OF PPE**

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

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

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

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

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

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

## **23. MANAGEMENT AND OPERATION OF ASSETS**

### **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:

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

### **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:-

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

The operational budgets are the short to medium term plan for implementing this strategic asset management plan.

### **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.

### **Verification of Assets**

The Municipality shall at least once during every financial year undertake on a

date as determined by the Chief Financial Officer a comprehensive verification of all moveable assets controlled or used by all the departments of the Municipality.

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 relevant results of such verification, provided that each such item of asset verification shall be undertaken and completed during 30 June of each financial year, and that the resultant report shall be submitted to the Chief Financial Officer not later than 30 June of the year in question.

### **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.

## **24. MAINTENANCE**

### **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.

### **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.

### **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 attached to the asset to ensure the validity of the transfer.

The document should also include:

- Asset description;
- Cost of the asset;
- Date of acquisition;
- Unique asset number;
- Effective date of transfer;
- Quantity; and
- Authorization by both transferor and transferee.

The asset manager must then effect the transactions in the book of accounts of the municipality on the day the asset is transferred to the transferee.

## **27. PHYSICAL SECURITY OF ASSETS**

Every Senior Manager shall be directly responsible for the physical safekeeping of any asset controlled or used by their department.

In exercising this responsibility, every Senior Manager shall adhere to directives issued by the Chief Financial Officer with regard to the control and safekeeping of the municipality's assets.

All assets should be kept in a secure location, maintained regularly, insured against theft or destruction, utilized economically and efficiently.

When it is suspect that an employee abuses 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 Property, Plant and Equipment lost, stolen or damage 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.

## **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. 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 cognizance 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 **Witzenberg Municipality**.

## APPENDIX A

<b>SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS</b>			
	ASSET LIFE		ASSET LIFE
<b><u>INFRASTRUCTRE ASSETS</u></b>		<b><u>INFRASTRUCTRE ASSETS</u></b>	
<b>ELECTRICITY:</b>		<b>GAS:</b>	
Power stations	30	Meters	20
Cooling towers	30	Main supply	20
Transformer kiosks	30	Storage tanks	20
Meters	20	Supply and reticulation networks	20
Load control equipment	20		
Switchgear	20	<b>SEWERAGE:</b>	
Supply and reticulation networks	20	Sewer mains	20
Main supply	20	Outflow sewers	20
		Sewerage purification works	20
<b>ROADS:</b>		Sewerage pumps	15
Motorways	15	Sludge machines	15
Other roads	10		
Traffic islands	10	<b>PEDESTRAIN MALLS:</b>	
Traffic lights	20	Footways	20
Street lights	25	Kerbing	20
Overhead bridges	30	Paving	20
Storm water drains	20		
Bridges, subways and culverts	30	<b>AIRPORTS:</b>	20
Car parks	20	Taxiways	20
Bus terminals	20	Runways	20
		Aprons	20
		Airport and radio beacons	20
<b>WATER</b>		<b>SECURITY</b>	
Meters	15	Fencing	3
Mains	20	Security systems	5
Rights	20	Access control systems	5
Supply and reticulation networks	20		
Reservoirs and storage tanks	20		
<b><u>COMMUNITY ASSETS</u></b>		<b><u>COMMUNITY ASSETS</u></b>	
<b>RECREATIONAL FACILITIES</b>		<b>BUILDINGS</b>	
Bowling greens	20	Ambulance stations	30
Tennis courts	20	Aquariums	30
Swimming pools	20	Beach developments	30
Golf courses	20	Care centres'	30
Jukskei pitches	20	Cemeteries	30
Outdoor sport facilities	20	Civic theatres and community centres'	30
Organ	20	Clinics and hospitals	30
Lakes and dams	20	Game reserves and rest camps	30
Fountains	20	Stadiums and indoor sports	30
Flood lights	20	Museums and galleries	30
		Parks and public conveniences	30
		Recreational centres' and zoo	30
<b><u>OTHER ASSETS</u></b>		<b><u>OTHER ASSETS</u></b>	

<b>SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS</b>			
	ASSET LIFE		ASSET LIFE
<b>BUILDINGS</b>		<b>EMERGENCY EQUIPMENT</b>	
Abattoirs	30	Other fire fighting equipment	15
Asphalt plant	30	Ambulances	5-10
Cable stations	30	Fire hoses	5
Caravan Parks	30	Emergency lights	5
Bioscope	30		
Compacting stations	30	<b>MOTOR VEHICLES</b>	
Hostels for public / tourists	30	Fire engines	20
Hostels for employees	30	Buses	15
Housing schemes	30	Motor vehicles	5-7
Kilns	30	Motorcycles	3
Laboratories	30	Trucks and light delivery vehicles	5-7
Markets	30		
Nurseries	30	<b>AIRCRAFT</b>	15
Office buildings	30		
Old age homes	30	<b>WATERCRAFT</b>	15
Quarries	30		
Tip sites	30	<b>PLANT AND EQUIPMENT</b>	
Training centres	30	Graders	10-15
Transport facilities	30	Tractors	10-15
Workshops and depots	30	Mechanical horses	10-15
		Farm equipment	5
<b>OFFICE EQUIPMENT</b>		Lawn mowers	2
Computer hardware	5	Compressors	5
Computer software	3-5	Laboratory equipment	5
Office machines	3-5	Radio equipment	5
Air conditioners	5-7	Firearms	5
<b>FURNITURE AND FITTINGS</b>		General	5
Chairs	7-10	Cable cars	15
Tables and desks	7-10	Irrigation systems	15
Cabinets and cupboards	7-10	Cremators	15
Sundry	7-10	Lathes	15
		Machining equipment	15
<b>BINS AND CONTAINERS</b>		Conveyors	15
Household refuse bins	5	Feeders	15
Bulk refuse containers	10	Tippers	15
		Pulverising mills	15



# **FUNDING AND RESERVES POLICY**

Date of implementation: 01 July 2010

***INDEX***

<b>1. INTRODUCTION AND OBJECTIVE .....</b>	<b>3</b>
<b>2. SECTION A: FUNDING POLICY .....</b>	<b>3</b>
<b>2.1 LEGISLATIVE REQUIREMENTS .....</b>	<b>3</b>
<b>2.2 STANDARD OF CARE .....</b>	<b>3</b>
<b>2.3 STATEMENT OF INTENT.....</b>	<b>4</b>
<b>2.4 CASH MANAGEMENT .....</b>	<b>4</b>
<b>2.5 DEBT MANAGEMENT.....</b>	<b>4</b>
<b>2.6 FUNDING THE OPERATING BUDGET.....</b>	<b>4</b>
<b>2.7 FUNDING THE CAPITAL BUDGET .....</b>	<b>6</b>
<b>2.8 FUNDING COMPLIANCE MEASUREMENT .....</b>	<b>7</b>
<b>3. SECTION B: RESERVES POLICY .....</b>	<b>12</b>
<b>3.1 INTRODUCTION .....</b>	<b>12</b>
<b>3.2 LEGAL REQUIREMENTS.....</b>	<b>12</b>
<b>3.3 TYPES OF RESERVES .....</b>	<b>12</b>
<b>3.4 ACCOUNTING FOR RESERVES .....</b>	<b>14</b>
<b>4. SECTION C: REVIEW OF THE POLICY.....</b>	<b>14</b>
<b>APPENDIX A .....</b>	<b>14</b>

## FUNDING AND RESERVES POLICY

Page 2

**Version:** Final

**Date:** 15 June 2010

**Summary:** This document describes the Funding and Reserves Policy that will be applicable to the municipality, detailed.

**Approved:** This policy was approved by the Municipal Council on 15 June 2010.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Municipal Manager**

## **FUNDING AND RESERVE POLICY**

### **1. INTRODUCTION AND OBJECTIVE**

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

### **2. SECTION A: FUNDING POLICY**

#### **2.1 LEGISLATIVE REQUIREMENTS**

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash – funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

#### **2.2 STANDARD OF CARE**

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

## **2.3 STATEMENT OF INTENT**

The municipality will not pass a budget which is not cash – funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

## **2.4 CASH MANAGEMENT**

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

## **2.5 DEBT MANAGEMENT**

Debt must be managed in terms of the municipality's Debt Management Policy, together with any requirements in this policy.

## **2.6 FUNDING THE OPERATING BUDGET**

### **2.6.1 INTRODUCTION**

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognises the plight of the poor, and in line with national and provincial objectives, the municipality commits itself to subsidised services to the poor. This will necessitate cross subsidisation in tariffs to be calculated in the budget process.

### **2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET**

The following specific principles apply when compiling the budget:

- a) The budget must be cash – funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information;
- c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;
- d) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven



provincial transfers and any possible transfers to or from other municipalities.

For the purpose of the Cash flow budget any National or Provincial grants that have been re-appropriated for roll-over purposes must be excluded from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total expected expenditure from grants, inclusive of capital expenditure and VAT as per directive given in MFMA circular 48.

- e) Projected revenue from services charges must be reflected as net (all billing less revenue foregone, which is free basic services, discounts and rebates).
- f) Projected revenue from property rates must include all rates to be levied, but rebates and discounts must be budgeted for as either revenue foregone or a grant, as per directive in MFMA Budget Circular 51, depending on the conditions of the exemption, rebate or reduction.

For the purpose of the Cash flow Budget all rebates and discounts must be deducted from the projected revenue.

- g) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortised discount must be included in the Operating Budget but excluded in the cash flow budget.
- h) Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an operating surplus calculated at 5% of the prior year balance of the long-term benefits, be included in the operating budget, in order to build sufficient cash for these requirements. The cash portion of the employee benefits must be accounted for in an "Employee Benefits Reserve".
- i) Depreciation must be fully budgeted for in the operating budget.

In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget.

- j) Contributions to provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that the contribution to current provisions, as well as 20% of the prior year balance of the non current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

## **2.7 FUNDING THE CAPITAL BUDGET**

### **2.7.1 INTRODUCTION**

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

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

### **2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE**

The capital budget can be funded by way of own contributions, grants, 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.

#### **Contributions to the Capital Replacement Reserve (CRR)**

All proceeds from the sale of redundant property plant and equipment, and the VAT portion of capital grants that represents own income must be transferred to the CRR.

Funds must be transferred to the CRR in the budget process to ensure that sufficient funds are available in the reserve to finance the capital expenditure from own contributions.

**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 below:
  - Current portion of Rehabilitation of landfill sites
  - Current portion of Post-retirement benefits
  - Current portion of Long service provisions
  - Current portion of Ex-gratia pension provisions
  - 20% of staff leave
  - 100% of performance bonuses
  - 100% of staff bonuses
  - 100% of any other employee benefits

### **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:

	<b>DESCRIPTION</b>	<b>PROPERTY RATES</b>	<b>SERVICE CHARGES</b>	<b>TOTAL</b>
A	Revenue of budget year	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
<b>C</b>	<b>=Revenue increase/decrease</b>	<b>R XX</b>	<b>R XX</b>	<b>R XX</b>
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper limit of macro Inflation target	%	%	%
<b>F</b>	<b>=Growth in excess of inflation target</b>	<b>%</b>	<b>%</b>	<b>%</b>
G	Less: Expected growth %	%	%	%
<b>H</b>	<b>=Increase attributed to tariff Increase above macro inflation target</b>	<b>%</b>	<b>%</b>	<b>%</b>

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 Debt Management 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 : Current provisions balance	R XX
Add : Current employee benefits balance	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



## **BORROWING POLICY**

Date of implementation 01 July 2013

# BORROWING POLICY

<b>Contents</b>	<b>Page No</b>
<b>1. PURPOSE</b>	<b>2</b>
<b>2. OBJECTIVES</b>	<b>2</b>
<b>3. SCOPE OF THIS POLICY</b>	<b>2</b>
<b>4. BORROWING ETHICS</b>	<b>3</b>
<b>5. LEGISLATION</b>	<b>3</b>
<b>6. COMPULSORY DISCLOSURE WHEN INCURRING MUNICIPAL DEBT</b>	<b>3</b>
<b>7. PROCESS</b>	<b>3</b>
<b>8. CONDITIONS</b>	<b>6</b>
<b>9. SECURITIES</b>	<b>6</b>
<b>10. DISCLOSURE</b>	<b>6</b>
<b>11. GUARANTEES</b>	<b>6</b>
<b>12. SUBMISSION OF DOCUMENTS</b>	<b>7</b>
<b>13. NOTIFICATION TO NATIONAL TREASURY</b>	<b>8</b>
<b>14. FINANCIAL AFFAIRS OF THE MUNICIPALITY</b>	<b>9</b>
<b>15. INTEREST RATE RISK</b>	<b>9</b>
<b>16. LIMITATIONS</b>	<b>9</b>
<b>17. PROHIBITED BORROWING PRACTICES</b>	<b>10</b>
<b>18. IMPLEMENTATION AND REVIEW</b>	<b>10</b>

## **1. PURPOSE**

- 1.1. To provide the Municipality with a borrowing framework policy.
- 1.2. Set out the objectives, policies, statutory requirements as well as guidelines for the borrowing of funds.

## **2. OBJECTIVES**

- 2.1. The objectives of the policy are to:
- 2.2. enable the municipality to exercise their obligation to ensure sufficient cash resources to implement capital programme in the most cost effective manner;
- 2.3. ensure compliance with the relevant legal and statutory requirements relating to Municipal borrowing;
- 2.4. govern the taking up of short-term and long-term debt according to the legislative framework
- 2.5. manage interest rate and credit risk exposure
- 2.6. maintain debt with specified limits and ensure adequate provision for the repayment of debt and
- 2.7. To maintain financial sustainability.

## **3. SCOPE OF THIS POLICY**

- 3.1. The primary goal in the borrowing of funds is to ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorized borrowings.
- 3.2. This policy shall apply the Council, Mayoral Committee, all Portfolio Committees, Accounting Officer, Strategic Executive Directors and all staff of the municipality. It is, however, specifically applicable to the council and all officials who have a formal, administrative duty to deal with capital projects and programmes of the municipality and the management of the budget.

## **4. BORROWING ETHICS**

- 4.1. In dealing with financial institutions, the following ethical principles must be adhered to:
- 4.2. The Chief Financial Officer shall not accede to any influence by or interference from councillors, borrowing institutions or any outsiders.
- 4.3. Under no circumstances may inducements to borrow be accepted.

## **5. LEGISLATION**

- 5.1. The legislative framework governing borrowings are:
  - 5.1.1. Local Government Municipal Finance Management Act, Act 56 of 2003; and
  - 5.1.2. Local Government Municipal Regulations and Debt Disclosure, Regulation R492, published under Government Gazette 29966, 15 June 2007.

## 6. COMPULSORY DISCLOSURE WHEN INCURRING MUNICIPAL DEBT

- 6.1. The Municipal Regulations on Debt Disclosure has been promulgated (Government Gazette no. 29966, 15 June 2007) and has been effective from 01 July 2007 for a municipality or municipal entity. Refer to Annexure A2, Municipal Finance Management Act: Municipal Regulations on Debt Disclosure.
- 6.2. The implementation of the regulations will help to strengthen the level of confidence in municipal fiscal affairs and enable the capital markets to effectively participate by providing access to a range of competitive funding instruments for the provision of municipal infrastructure and other capital development in accordance with section 46 of the Municipal Finance Management Act
- 6.3. In the case of short-term debt it must be disclosed whether the debt is to bridge:
  - 6.3.1. Shortfalls within a financial year during which the debt is incurred, in expectation or specific and realistic anticipated revenue to be received with that financial year; or
  - 6.3.2. Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocation or long-term debt commitments.
- 6.4. In the case of long-term debt, whether the purposes of the debt is for:
- 6.5. Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objectives of local government, subject to section 46(4) of the Act.
- 6.6. Refinancing of existing long-term debt, subject to section 46(5) of the Act.

## 7. PROCESS

The process as required by the Act is as follows:

### 7.1. Short-term debt

- 7.1.1. A municipality may incur short-term debt only if:
  - 7.1.1.1. A resolution of the municipal council, signed by the executive mayor, has approved the debt agreement; and
  - 7.1.1.2. The accounting officer has signed the agreement or other document which creates or acknowledges the debt.
- 7.1.2. A short term debt transaction may be:
  - 7.1.2.1. approve individually; or
  - 7.1.2.2. approve an agreement with a lender for short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that:
    - 7.1.3. the credit limit must be specified in the resolution of the council;
    - 7.1.4. in terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and
    - 7.1.5. if the council approves a credit facility that is limited to emergency use, the accounting officer must notify the council in writing as soon as practical of the

amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.

7.1.6. A municipality:

- 7.1.6.1. Must pay off short-term debt within the financial year; and
- 7.1.6.2. May not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.
- 7.1.6.3. No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection 7.1.6.2
- 7.1.6.4. If a lender wilfully extends credit to a municipality in contravention of paragraph 7.1.6.3, the municipality is not bound to repay the loan or interest on the loan.
- 7.1.6.5. Subsection 7.1.6.1 does not apply if the lender:
  - 7.1.6.5.1. Relied in good faith on written representations of the municipality as to the purpose of the borrowing; and
  - 7.1.6.5.2. Did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt. Long-term debt

**7.2. Long-term debt**

7.2.1. A municipality may incur long-term debt only if:

- 7.2.1.1. A resolution of the municipal council, signed by the executive mayor, has approved the debt agreement; and
- 7.2.1.2. The accounting officer has signed the agreement or other document which creates or acknowledges the debt.

7.2.2. A municipality may incur long-term debt only if the accounting officer of the municipality:

- 7.2.2.1. has, in accordance with section 21A of the Municipal Systems Act:
- 7.2.2.2. at least twenty one (21) days prior to the meeting the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
- 7.2.2.3. invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and
- 7.2.2.4. has submitted a copy of the information statement to the municipal council at least twenty one (21) days prior to the meeting of the council, together with particulars of:
  - 7.2.2.4.1. the essential repayment terms, including the anticipated debt repayment schedule; and
  - 7.2.2.4.2. The anticipated total cost in connection with such debt over the repayment period.



7.2.3. Capital expenditure contemplated in 5.3(a) may include:

7.2.3.1. Financing costs, including:

7.2.3.1.1. capitalized interest for a reasonable initial period;

7.2.3.1.2. Costs associated with security arrangements in accordance with section 48 of the Act;

7.2.3.1.3. discounts and fees in connection with the financing;

7.2.3.1.4. fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and

7.2.3.1.5. Costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing.

7.2.3.1.6. Costs of professional services directly related to the capital expenditure; and

7.2.3.1.7. Such other costs as may be prescribed.

7.2.4. A municipality may borrow money for the purpose of refinancing existing long-term debt, provided that:

7.2.4.1. the existing long-term debt was lawfully incurred;

7.2.4.2. the refinancing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed

7.2.4.3. the net present value of projected future payments (including principal and interest payments) after refinancing is less than the net present value of projected future payments before refinancing; and

7.2.4.4. the discount rate used in projecting net present value referred to in paragraph (c), and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

7.2.5. A municipality's long-term debt must be consistent with its capital budget referred to in section 17(2) of the Act.

## 8. CONDITIONS

Witzenberg Municipality may incur debt only if:

8.1. 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; and

8.2. section 48(3) of the Act has been complied with, if security is to be provided by the municipality.

## 9. SECURITIES

9.1. Witzenberg Municipality may by resolution of its council provide security for:

9.1.1. any of its debt obligations; and

9.1.2. contractual obligations of the municipality undertaken in connection with capital expenditure by the persons on property, plant or equipment to be used by the

municipality or such other person for the purpose of achieving the objectives of local government in terms of section 152 of the Constitution.

9.2. Appropriate security is contemplated in section 48(2) of the Act.

9.3. Other additional conditions to be complied with are contemplated in section 48(3) to (5) of the Act.

## 10. DISCLOSURE

The Municipality must, when interacting with a prospective Lender or when preparing documentation for consideration by a prospective Investor, disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor. Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

## 11. GUARANTEES

11.1. The Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity unless the entity is a Municipal entity under its sole ownership control. The debt must be reflected in the approved business plan of the entity. The guarantee must be authorized by the Municipality. This must be done in the same manner and subject to the same conditions applicable to any other borrowings. Neither the National nor Provincial Government may guarantee the debt of any Municipality.

11.2. Witzenberg Municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following condition:

11.3. The guarantee must be within limits specified in the municipality's approved budget.

11.4. Neither the national nor a provincial government may guarantee the debt of a municipality except to the extent that chapter 8 of the Public Finance Management Act provides for such guarantees

## 12. SUBMISSION OF DOCUMENTS

When entering into discussion with a prospective lender with a view to incur short-term or long-term debt, the following information must be made available to the prospective lender.

12.1. audited financial statements for the preceding three (3) financial years with audited outcomes;

12.2. approved annual budget;

12.3. the municipal integrated development plan;

12.4. Repayment schedules pertaining to existing short-term or long-term debt.

### 13. NOTIFICATION TO NATIONAL TREASURY

All information prescribed in the act must be provided to National Treasury with respect to a long-term debt proposal.

#### Information to be provided with respect to a long-term debt proposal

	Details	MFMA
A	A copy of the <i>information statement</i> required by section 46(3), containing particulars of the proposed borrowing (debt) instrument.	46(3)(a)(i)
B	If not already incorporated in the <i>information statement</i> , the following information should be provided separately (note QBMR = Quarterly Borrowing Monitoring Return to NT, see over page for further information):  amount of debt to be raised through borrowing or other means purposes for which the borrowing (debt) is to be incurred interest rate(s) applicable (state whether fixed or variable etc) planned start and end date (term of instrument) detailed repayment schedule for the duration of the borrowing (debt) (showing dates and all payments of principal and interest, etc) total estimated cost of the borrowing (debt) over the repayment period type of instrument (select from QBMR) security to be provided (select from QBMR) and provide details source of loan funds (select from QBMR)	46(3)(b)(i) and (ii)
C	A schedule of consultation undertaken, including:  date(s) when the <i>information statement</i> was made public details of meetings, media adverts and other methods used to consult on the proposed long-term borrowing (debt)	46(3)(a)(i), (ii)
D	A copy of the approved budget, and relevant documentation supporting the budget, highlighting the asset(s) to be funded by the proposed borrowing (debt) and the revenue to be received. It must be demonstrated that the proposed borrowing (debt) is consistent with the IDP, the capital budget and the revenue is shown accordingly.	46(6) 17(2) 19
E	If the borrowing (debt) is for the purpose of refinancing existing long-term borrowing (debt), the following information:  description of the asset(s) for which the original loan was required the useful remaining life of the asset(s) the net present value of the asset(s), including the discount rate used	46(5)

	and any assumptions in the calculations the net present value of projected future payments <u>before</u> refinancing, including the discount rate and assumptions used. the net present value of projected future payments <u>after</u> refinancing, including the discount rate and assumptions used.	
F	What source of funding will be used to repay the loan? Please specify the revenue stream(s) and whether this is existing revenue, or new revenue.	19(1)(d)
G	Schedule of <u>all</u> long-term borrowing (debt) obligations in the format of the QBMR showing principal and interest payments for the life of <u>all loans</u> and any associated investments set up as sinking funds etc.	
H	A copy of the council/board of directors' resolution approving the borrowing (debt) instrument should be forwarded once approved.	

#### 14. FINANCIAL AFFAIRS OF THE MUNICIPALITY

- 14.1. The following information concerning the financial situation and financial management of the municipality must be disclosed:
- 14.1.1. schedule of all long-term debt obligations stating principal and interest payments for the life of all loans and any security provided to secure such debt;
  - 14.1.2. the amount of any short-term debt outstanding;
  - 14.1.3. the revenue of the municipality for the preceding three (3) financial years stated separately:
  - 14.1.4. Government grants and public donations;
  - 14.1.5. Revenue from rates and service charges and other revenue sources
  - 14.1.6. what source of funding will be used to repay the loan;
  - 14.1.7. details of any default by the municipality on outstanding or repaid debt during the preceding three (3) years;
  - 14.1.8. the reserves of the municipality;
  - 14.1.9. a summary of financial policies and practices; and
  - 14.1.10. The latest credit rating obtained.

#### 15. INTEREST RATE RISK

- 15.1. As a general principle when interest rates are expected to decrease, it is advisable that a floating rate be negotiated in order to take advantage of the lower interest rates in future. If interest rates are expected to increase, it is advisable to obtain a fixed rate so that the benefits of the current low interest rate are maintained.
- 15.2. The interest risk must be limited in so far as possible. The policy directive is to negotiate fixed interest rates for all long-term borrowings. This will ensure stability

of the repayments and reduce the risk for high rates and tariff increases as a result of interest rate hikes in the market.

- 15.3. Variable rates should be considered for short-term debt only.

## **16. LIMITATIONS**

To ensure a financial viable municipality the following ratios are used to determine the municipal gearing ability to borrow:

- 16.1. Long-term credit rating of BBB;
- 16.2. Interest cost to total expenditure to not exceed 8%;
- 16.3. Long-term debt to revenue (excluding grants) not be exceed 50%;
- 16.4. Payment rate mature above 95%; and
- 16.5. Percentage of capital charges to operating expenditure less than 18%.

## **17. PROHIBITED BORROWING PRACTICES**

Witzenberg Municipality shall not borrow for investment purposes, with the sole purpose of investing to earn a return. The cost of debt is almost always more expensive than the return that the Municipality can derive by investing in permitted investments. Foreign Borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby the debt must be denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

## **18. IMPLEMENTATION AND REVIEW**

- 18.1. The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director for Financial Services Department once approved by Council. All future borrowings must be considered in accordance with this policy read with MFMA and Local Government Municipal Regulations and Debt Disclosure, Regulation R492, published under Government Gazette 29966, 15 June 2007 and other directives and guidelines issued by National Treasury.
- 18.2. In terms of section 17(1) (e) of the Municipal Finance Management Act, 2003 this policy shall be reviewed on annual basis to ensure that it complies with changes in applicable legislation and regulation and the reviewed policy tabled to Council for approval as part of the budget process .
- 18.3. This policy must be read together with the Budget and Funding and Reserves Policies; Local Government Municipal Finance Management Act, Act 56 of 2003; and Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.



# WITZENBERG

Municipality • Munisipaliteit • UMasipala Wase



## **CELLULAR TELEPHONE AND DATA CARD POLICY**

Date of implementation 01 July 2013

## **CELLULAR TELEPHONE AND DATA CARD POLICY**

### **1. Purpose**

The purpose of this policy is to determine guidelines for the:

- Management of cellular telephones
- Acquisition of cellular telephones
- Acquisition of data cards
- Management of data cards

### **2. General**

2.1 It is recognised that cellular telephones are useful communications tools in many cases essential for Municipal officials to carry out their duties. To this end this policy shall regulate the provision of a cellular telephone and/or data cards for officials in the Witzenberg Municipality.

2.2 All applications for cellular telephones and/or data cards shall require the approval of the Municipal Manager.

2.3 In considering the granting of a cellular phone and/or data card, the Municipal Manager shall take into account all of the following:-

- 2.3.1 Operational responsibility of the applicant.
- 2.3.2 Availability of funds.
- 2.3.3 Time spent outside of the office by the official.
- 2.3.4 The need for constant and immediate contact of the official.
- 2.3.5 Improvement in efficiency of the official.
- 2.3.6 Need for immediate contact with councillors and the public.
- 2.3.7 Safety of officials.

### **3 General Controls**

3.1 An annual review shall be carried out by the Municipal Manager to determine the continued need for all cellular telephones and/or data cards.

3.2 If it is determined that an official no longer qualify for a cellular telephone and/or data card, he/she must be advised in writing of the decision with at least a two months' notice period.

### **4 Limit of allowances**

4.1 The allowable all inclusive expenditure for cellular telephones and/or data cards will be limited to the following maximum monthly amounts excluding VAT.

<b>Positions<sup>1</sup></b>	<b>Contract by municipality</b>	<b>Allowance to employee</b>
Municipal Manager	1 500	2 000
Directors	1 200	1 600
Deputy Director	900	1 200
Managers	600	800
Middle Managers	400	500
Other Approved Employee's	200	300

<sup>1</sup> Amended by Council 25/10/2017

All data Cards	200	300
Tablets	400	500

- 4.2 The municipal manager can in exceptional cases and on justifiable grounds on written application by a person whose cell phone expenditure is above the maximum monthly limit set above, determine in writing a higher limit for that specific month.
- 4.3 Any account in excess of the allowable maximum amounts as stated in paragraph 4.1 or the higher limit in paragraph 4.2 above, will be deducted from the relevant employee's salary as soon as possible.
- 4.4 Where no written determination by the municipal manager in terms of paragraph 4.2 is received on or before the 10<sup>th</sup> of the month, any account in excess of the allowable maximum amounts as stated in paragraph 4.1 will be deducted from the relevant employee's salary as soon as possible.
- 4.5 Before any cellular telephone and/or data card is handed over to an employee he or she must sign the relevant authority that any excess can be deducted from his or her salary.
- 4.6 The municipal manager can adjust these amounts annually subject to budgetary provisions.
- 4.7 All employees that qualify for the cellular phone and data card allowance will receive the allowance and not a municipal funded cellular phone or data card. All employees' receiving this allowance must ensure that the item for which the allowance is received is in working condition and has the necessary airtime/data to perform their functions.
- 4.8 The local government regulations on appointment and conditions of employment of senior managers in terms of the Local Government: Municipal Systems Act, 2000 (act no. 32 of 2000) section 40 determines that a senior manager is entitled to compensation for the use of a mobile telephone and data card for official purposes in accordance with the relevant policy of the municipality.<sup>2</sup>

## **5 Additional charges**

- 5.1 All additional charges including but not limited to the following will be for the account of the user:
- Content charges
  - Subscriptions
  - Cellular phone data charges

## **6 Cellular telephones and Data Card Allowance**

- 6.1 The municipal manager may approve that a monthly allowance not exceeding the limits as per paragraph 4.1 be paid to employees that qualify for the use of cellular telephones or data cards.
- 6.2 Employees that elect the allowance option must provide a cellular phone and/or data card to be used for official business and may not use municipal cellular telephones and/or data cards.
- 6.3 Proof that the cellular phone and/or data card is available for official use must be provided on request. If the required proof cannot be provided the allowance will be stopped with immediate effect.

<sup>2</sup> Recommended for inclusion in policy



- 6.4 The municipality will only pay the allowance to the user; all cost in excess of the allowance will be for the account of the user.
- 6.5 The allowance will be paid together with the employees' monthly salary.
- 6.6 The recipient of the allowance will be responsible for the payment of income tax on the allowance, which will be deducted from the employee's salary.

## **7 Management and Control Of Cellular telephones and Data Card Needs**

- 7.1 A register of all cellular telephones and data cards and service agreements must be maintained by the Administration department.
- 7.2 All cellular telephones and data cards will be obtained on a rental agreement.
- 7.3 The agreement for a cellular phone must be conducted in the Municipalities name.
- 7.4 The agreement for a data card must be conducted in the Municipalities name.
- 7.5 No cellular telephones or data cards will be upgraded for improved models before the contract has expired, unless indicated to the contrary by the service provider or on recommendation by the relevant director or head of department.
- 7.6 After lapse of the agreement, the cellular phone or data card becomes the property of the employee.
- 7.7 If the relevant employee leaves the employment of the municipality before the agreement lapse, the cellular phone and/or data cards with the relevant SIM cards must be handed in at the administration department who must ensure that it is in working condition and that it is the correct SIM cards.
- 7.8 The cellular phone number is the property of the Witzenberg municipality and cannot be transferred to employees.

## **8 Insurance**

- 8.1 All reasonable care must be taken to protect the equipment from damage, destruction or loss and any proof of negligence shall be dealt with within the context of Council's disciplinary code.
- 8.2 The Excess payment on insurance claims will be for the account of the user of the cellular phone or data card.

## **9 ICT policies**

- 9.1 Users of data cards acknowledge that all other ICT policies adopted by Witzenberg Municipality are applicable on the usage of the data cards.

## **10 Promotional Items and or Gift Vouchers**

- 10.1 Any promotional items and or gift vouchers received with a cellular phone and or data contract will be the property of the municipality and not of the employee.

- 10.2 The only exception to the above is tablets that can be used by the employee for official purposes for the duration of the rental agreement, where after it will become the property of the employee.

## **11 Procurement**

- 11.1 The administration of the procurement process will be done by the Administration section.
- 11.2 The procurement of cellular telephones and data cards will be done by the Supply Chain Unit.



## **SUPPLY CHAIN MANAGEMENT POLICY**

Reviewed by Council 30/05/2017  
Reviewed by Council 18/05/2016  
Reviewed by Council 28/05/2015  
Reviewed by Council 27/05/2014  
Adopted by Council 29/05/2013

## **SUPPLY CHAIN MANAGEMENT POLICY**

### **LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Proposed date for adoption: 1 April (PP regulations 2017) /July 2017**

**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.

### **TABLE OF CONTENTS**

1. Definitions
2. Policy statement and objectives

#### **CHAPTER 1**

##### **IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

3. Supply chain management policy
4. Amendment of supply chain management policy
5. Delegation of supply chain management powers and duties
6. Sub delegations
7. Oversight role of council
8. Supply chain management unit
9. Training of supply chain management officials

#### **CHAPTER 2**

##### **SUPPLY CHAIN MANAGEMENT SYSTEM**

10. Format of supply chain management system
11. Communication with the municipality

##### ***Part 1: Demand management***

12. System of demand management

##### ***Part 2: Acquisition management***

13. System of acquisition management
14. Range of procurement processes
15. General preconditions for consideration of written quotations or bids

16. Lists of accredited prospective providers
17. Petty cash purchases
18. Written price quotations
19. Formal written price quotations
20. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations
21. Competitive bids
22. Process for competitive bidding
23. Bid documentation for competitive bids
24. Public invitation for competitive bids
25. Site meetings/ bid clarification meetings
26. Submission of bids
27. Procedure for handling, opening and recording of bids and formal written price quotations in excess of R30 000
28. Procedure for the opening of bids where a two envelope system is followed
29. Communication with bidders before bid closing
30. Negotiations with preferred bidders
31. Two-stage bidding process
32. Validity periods
33. Samples
34. Committee system for competitive bids
35. Bid specification committees
36. Bid evaluation committees
37. Bid adjudication committees
38. Procurement of banking services
39. Procurement of IT related goods or services
40. Procurement of goods and services under contracts secured by other organs of state
41. Procurement of goods necessitating special safety arrangements
42. Proudly SA Campaign
43. Appointment of consultants
44. Deviation from, and ratification of minor breaches of, procurement processes
45. Unsolicited bids
46. Combating of abuse of supply chain management system

**Part 3: Logistics, Contract, Disposal, Risk and Performance Management**

47. Logistics management
48. Contract Management
49. Disposal management
50. Risk management
51. Performance management

**Part 4: Other matters**

52. Prohibition on awards to persons whose tax matters are not in order
53. Prohibition on awards to persons in the service of the state
54. Awards to close family members of persons in the service of the state
55. Ethical standards
56. Inducements, rewards, gifts and favours to municipalities, officials and other role players
57. Sponsorships
58. Objections and complaints
59. Resolution of disputes, objections, complaints and queries
60. Contracts providing for compensation based on turnover
61. Compliance with Ethical standards
62. Handling of proprietary information
63. Non-compliance with peremptory requirements of bids
64. Right of appeal
65. Unsuccessful bidder(s) debriefing
66. Successful bidder briefing
67. Acceptance of offers
68. Commencement date

Annexure A

Annexure B

1. **Definition** - In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

**“Accounting officer”** – means the municipal official referred to in section 60 of the Act

**“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 section 9(1) of the Broad-Based Black Economic Empowerment Act. <sup>1</sup>

**“Bid”** means a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.

**“Bidder”** means any person submitting a competitive bid or a quotation.

**“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. <sup>2</sup>

**“Black people”** has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act. <sup>3</sup>

**“Broad-Based Black Economic Empowerment Act”** means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and Codes of Good Practice pertaining thereto.

**“Chief Financial Officer or CFO”** means a person designated in terms of section 80(2) (a) of the Act.

**“CIDBA regulations”** means any regulations issued in terms of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);

**“Class deviation”** means a deviation from the normal procurement process for goods

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<sup>1</sup> Amended by council 30 May 2017

<sup>2</sup> Amended by council 30 May 2017

<sup>3</sup> Amended by council 30 May 2017

and services anticipated to be procured more than once in a financial year but exclude procurement made in an emergency situation.

**“Community Based Vendor”** means a supplier of goods, services and/or construction works who resides in the Witzenberg municipal area or has its principal business activities in the Witzenberg municipal area, who meets the criteria for community based vendor as determined by the Municipal Council from time to time, and who is registered as such on the municipality’s supplier database.

**“Competitive bidding process”** means a competitive bidding process referred to in paragraph 21 of this Policy;<sup>4</sup>

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

**“Consultant/ consulting engineer”** means a person or entity providing advisory services to the municipality which amongst others include consulting firms, management firms, procurement agents, inspection agents, auditors, other multinational organisations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organisations (NGOs) and individuals.

**“Contract”** means the agreement which is concluded when the municipality accepts, in writing, a competitive bid or quotation submitted by a supplier.

**“Contract manager”** refers to an internal official assigned to ensure the effective administration of the contract

**“Day(s)”** means calendar days unless the context indicates otherwise.

**“Designated sector”** means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.

**“Disposal”** in relation to capital assets means –

- (a) The demolition, dismantling or destruction of the capital asset; or
- (b) Any other process applied to a capital asset which results in loss of ownership of the capital asset otherwise than by way of transfer of ownership;

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<sup>4</sup> Amended by council 30 May 2017



**“Exempted Micro Enterprise”** means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.<sup>5</sup>

**“Final award”**, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote was accepted;

**“Formal written price quotation”** means a written or electronic offer to the municipality in response to an invitation to submit a quotation as referred to in paragraph 19 of this Policy;

**“Green procurement”** means the procurement of environmentally friendly products and services;<sup>6</sup>

**“Head of Department”** means a Senior Manager as defined in the Municipal Finance Management Act, 2003 (Act no.56 of 2003) and who is responsible for a vote as assigned by the Accounting Officer;

**“Individual deviation”** means a deviation from the normal procurement process as set out in this policy that affect only one contract / procurement award made in circumstances where it is impractical to follow the normal procurement process and in an emergency situation.

**“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 Municipal Finance Management Act, 2003 (Act No.56 of 2003); and Public Finance Management Act, 1999 (Act No. 1 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;

<sup>5</sup> Amended by council 30 May 2017

<sup>6</sup> Amended by council 30 May 2017

**“Joint Venture or Consortium”** means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.

**“Line manager”** means a manager reporting directly to a senior manager and who is responsible for a cost centre as assigned by the relevant senior manager;

**“Long term contract”** means a contract with a duration period exceeding one year and does not have the same meaning as contracts of a long term nature referred to in paragraph 24(1)(e) of this policy;<sup>7</sup>

**“Long term nature contract”** means a contract as defined by section 33(1) of the Municipal Finance Management Act imposing financial obligations on the Municipality beyond the first three years covered in the approved annual budget;<sup>8</sup>

**“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;<sup>9</sup>

**“Municipality”** means Witzenberg Municipality or any person(s) or committee delegated with the authority to act on its behalf.

**“Other applicable legislation” means** any other legislation applicable to municipal supply chain management, including –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), as amended;
- (b) The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003), as amended;
- (c) The Construction Industry Development Board Act, 2000 (Act No.38 of 2000), as amended; and
- (d) The Preferential Procurement Regulations of 2017, as amended<sup>10</sup>
- (e) The Local Government: Municipal Systems Act;<sup>11</sup>

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<sup>7</sup> Amended by council 30 May 2017

<sup>8</sup> Amended by council 30 May 2017

<sup>9</sup> Amended by council 30 May 2017

<sup>10</sup> Amended by council 30 May 2017

<sup>11</sup> Amended by council 30 May 2017

- (f) The Competition Act; and<sup>12</sup>
- (g) The Promotion of Administrative Justice Act.<sup>13</sup>

**“Policy”** means this Supply Chain Management Policy as amended from time to time by Council

**“Targeted Labour”** means those individuals employed by a contractor, or sub-contractor, in the performance of a contract, who are defined in the contract as the target group, and who permanently reside in the municipal area.

**“Tender”** referred to in the Preferential Procurement Regulations 2017, has the same meaning as “bid” as defined in this policy<sup>14</sup>

**“Treasury guidelines”** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

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

**“The Regulations”** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

**“Written quotations”** means quotations referred to in paragraph 18 of this Policy.<sup>15</sup>

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<sup>12</sup> Amended by council 30 May 2017

<sup>13</sup> Amended by council 30 May 2017

<sup>14</sup> Amended by council 30 May 2017

<sup>15</sup> Amended by council 30 May 2017

## 2. Policy statement and objectives

Section 111 of the Municipal Finance Management Act requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.

In addition, the Preferential Procurement Policy Framework Act requires an Organ of State to determine its Preferential Procurement Policy and to implement it within the framework prescribed.

The objectives of this Policy are:

- to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
- to comply with all applicable provisions of the Municipal Finance Management Act including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA; regulations pertaining thereto, including:
  - the Preferential Procurement Policy Framework Act;
  - the Broad-Based Black Economic Empowerment Act;
  - the Construction Industry Development Board Act;
  - the Local Government: Municipal Systems Act; and
  - the Promotion of Administrative Justice Act.
- the Competition Act.<sup>16</sup>

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<sup>16</sup> Amended by council 30 May 2017

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

**3. Supply chain management policy**

- (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
  - (a) Gives effect to –
    - (i) Section 217 of the Constitution; and
    - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive and cost effective;
  - (c) Complies with –
    - (i) The Regulations; and
    - (ii) Any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - (d) is consistent with other applicable legislation;
  - (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) This Policy applies when the municipality –
  - (a) Procures goods or services;
  - (b) Disposes of 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; and
  - (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.

- (e) the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.
- (3) 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.

#### **4. Amendment of the supply chain management policy**

- (1) The accounting officer must –
  - (a) at least annually review the implementation of this Policy; and
  - (b) When the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- (2) If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the accounting officer must –
  - (a) Ensure that such proposed amendments comply with the Regulations; and
  - (b) Report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

**5. Delegation of supply chain management powers and duties**

- (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
  - (a) To discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - (i) Chapter 8 or 10 of the Act; and
    - (ii) This Policy;
  - (b) to maximize administrative and operational efficiency in the implementation of this Policy;
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
  - (d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
  
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
  
- (3) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;
  
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 35-37 of this Policy.

## 6. Sub delegations

- (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
  
- (2) The power to make a final award –
  - (a) Above R 10 million (VAT included) may not be sub delegated by the accounting officer;
  - (b) Above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
    - (i) The chief financial officer;
    - (ii) A bid adjudication committee of which the Chief Financial Officer is a member / Chairperson;
  - (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.
  
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph 5(2) must within five days of the end of each month submit to the official referred to in subparagraph 5(4) a written report containing particulars of each final award made by such official or committee during that month, including–



- (a) The amount of the award;
  - (b) The name of the person to whom the award was made; and
  - (c) The reason why the award was made to that person.
- (4) A written report referred to in subparagraph 5(3) must be submitted –
- (a) To the accounting officer, in the case of an award by –
    - (i) The chief financial officer;
    - (ii) A bid adjudication committee of which the chief financial officer; or
  - (b) To the chief financial officer or his delegate responsible for the relevant bid, in the case of an award by –
    - (i) A manager referred to in subparagraph 5 (2) (c) (ii); or
    - (ii) A bid adjudication committee of which the chief financial officer is a member.
- (5) Subparagraphs 5(3) and 5(4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant/ consulting engineer.

## **7. Oversight role of council**

- (1) The Council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
  - (a) 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 of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
  - (b) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report.
- (3) The Supply Chain Manager must, within 4 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Chief Financial Officer, of which he must submit it within 3 days to the Accounting Officer. The Accounting Officer must within 3 days after receiving the report submit it to the Mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

## **8. Supply chain management unit**

- (1) Witzenberg Municipality has established a supply chain management unit to implement this Policy.
- (2) The supply chain management unit operates under the direct supervision of the chief financial officer whom this duty has been delegated in terms of section 82 of the Act.

**9. Training of supply chain management officials**

- (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**

**10. Format of supply chain management system**

This Policy provides systems for –

- (1) Demand management;
- (2) Acquisition management;
- (3) Logistics management;
- (4) Disposal management;
- (5) Risk management; and
- (6) Performance management.

**11. Communication with the municipality**

- (1) All correspondence with regards to this policy shall be addressed to the Manager: Supply Chain Management.

***Part 1: Demand management***

**12. System of demand management**

- (1) The accounting officer has established and implemented an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system -
  - (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) undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
  - (e) provide efficient and effective provisioning and procurement systems and practices to enable the municipality to deliver the required quantity and quality of services to the communities.
  - (f) establish uniform procedures, documents and contracts and the implementation of sound systems of control and accountability.
  - (g) establish a professional supply chain management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.
- (3) Green procurement must be incorporated as far as reasonable possible, for all specifications of goods, services and construction works.
  - (4) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

## ***Part 2: Acquisition management***

### **13. System of acquisition management**

- (1) The objectives of this acquisition management system are to ensure:
  - (a) that goods and services, including construction works and consultant services are procured by the municipality only in accordance with the authorised procedures incorporated herein;
  - (b) that expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget; and
  - (c) that the threshold values of the different procurement procedures are complied with.

- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and
  - (e) that procurement guidelines issued by the National Treasury are taken into account.
- (2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -
  - (a) The kind of goods or services; and
  - (b) The name of the supplier.
- (3) Unless otherwise indicated in the bid documents, the municipality shall not be liable for any expenses incurred in the preparation and / or submission of a bid or quotation.
- (4) Bid documentation may state that alternative bids can be submitted provided that a bid is in accordance with the bid documents is also submitted.
- (5) An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked "Alternative Bid" to distinguish it from the main bid offer referred to above.
- (6) Bid documentation shall state that the municipality will not be bound to consider alternative bids.
- (7) The Manager Supply Chain management may extend the bid closing date if circumstances justify the action, provided that the closing date may not be extended unless a notice is published in the same newspapers as the original advertisement prior to the original bid closing date.
- (8) The notice referred to in paragraph 13 (7) must also be posted on the municipal notice boards, the municipal website and a notice must be sent to all bidders

**14. Range of procurement processes**

- (1) Goods and services may only be procured by way of
  - (a) One written price quotation up to a transaction value of R 2,000 (VAT included);
  - (b) Petty cash purchases up to a transaction value of R 2,000 (VAT included) for items specified in the Petty Cash policy;
  - (c) Three written price quotations for procurements of a transaction value over R 2,000 up to R10,000 (VAT included);
  - (d) Three formal written price quotations for procurements of a transaction value over R 10,000 up to R200,000 (VAT included); and
  - (e) A competitive bidding process for–
    - (i) Procurements above a transaction value of R200 000 (VAT included); and
    - (ii) The procurement of long term contracts.
  
- (2) The accounting officer may, in writing lower, but not increase, the different threshold values specified in subparagraph 14(1);
  
- (3) For quotations (up to R 30 000) bidders are required to be registered on the municipality's supplier database prior to the acceptance of their quotation in respect of the goods or services required.
  
- (4) 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**

- (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) registration number in terms of section 18(1) of the Construction Industry Development Board Act, 2000 (Act No.38 of 2000), should the provider quote or bid to undertake, carry out or complete any construction works or portion thereof;
  - (b) Has provided the municipality with an original and valid tax clearance from the South African Revenue Services confirming that the provider's tax matters are in order; and
  - (c) Has indicated –
    - (i) Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
    - (ii) if the bidder 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;
    - (iv) On their supplier database application form if the supplier or person is in the service of the state, that such declaration be deemed as sufficient and that the responsibility rests on the supplier to notify the supply chain management unit of any changes hereto.
    - (v) Has completed, signed and submitted a certificate of independent bid determination with their bid or quotation.
- (2) Laws of the Republic of South Africa shall govern contracts arising from the acceptance of bids and quotations.
- (3) Where the acquisition in question is likely to involve an imported component which will be subject to foreign exchange rate adjustments, the bid documentation must specify that the contractor take out a forward

exchange contract in order to fix the Rand based price as soon as possible after the award.

#### **16. Lists of accredited prospective providers**

- (1) The accounting officer must –
  - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations for procurement up to R 30 000; and
  - (b) at least twice a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers;
  - (d) disallow the listing of any prospective supplier on the municipality's supplier database who do not comply with the accreditation requirements i.e. listing criteria and also based on standards, set by any relevant control bodies that govern or regulate the category of service or industry.
  - (e) disallow the listing of any prospective provider whose name appears on the National Treasury's List of Restricted Suppliers and/or Registered for Tender Defaulters and/or a person or business prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) The accounting officer may use the Central Supplier Database hosted by National Treasury for procurement.<sup>17</sup>

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<sup>17</sup> Amended by council 30 May 2017



**17. Petty cash purchases**

Petty cash purchases must be done according to the Petty Cash policy. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 14 (1) (b) of this Policy, are as follows–

- (a) The Accounting Officer may delegate the responsibility for petty cash to an official directly or indirectly reporting to the CFO;
- (b) No item that is an approved stores item might be purchase by means of a petty cash transaction;
- (c) No fixed asset of whatever value may be purchase through petty cash;
- (d) The nature of petty cash transactions that can be processed as petty cash transactions are listed in paragraph 5 of the Petty Cash policy;
- (e) The Council will determine annually the maximum amount of petty cash expenditure per month as referred to in paragraph 6 of the petty cash policy;
- (f) A monthly reconciliation report must be provided to the chief financial officer, within five days of the end of each month containing particulars of each final award made by an official during that month, including:
  - (i) The total amount of petty cash purchases for that month; and
  - (ii) Receipts and appropriate documents for each purchase.

**18. Written Price quotations**

- (1) The conditions for the procurement of goods or services through written price quotations are as follows:
  - (a) All requirements below R2 000.00 (VAT incl.) which are not covered by the Petty Cash policy, one written price quotation must be obtained from providers who are listed as accredited prospective service providers.
  - (b) All requirements between R2 000.00 (VAT incl.) and R 10 000.00 (VAT incl.) three written price quotations must be obtained from providers who are listed as accredited prospective service providers.
  - (c) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers, provided that such providers meet the listing criteria;<sup>18</sup>

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<sup>18</sup> Amended by council 30 May 2017

**19. Formal written price quotations**

- (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 appear on the list of accredited prospective providers of the municipality;
  - (b) Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria;<sup>19</sup>
  - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
  - (d) The Chief Financial Officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph 19 (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**

- (1) The procedure for the procurement of goods or services through written quotations or formal written price quotations is as follows:
  - (a) When using the list of accredited prospective providers the accounting officer must promote on-going 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

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<sup>19</sup> Amended by council 30 May 2017

least seven days on the website and official notice boards 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 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 Preferential Procurement Regulations of 2017), must be awarded to the bidder who scored the highest points;<sup>20</sup>
- (g) Comply with all requirements for proper record keeping.

## **21. Competitive bids**

- (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 13(2) of this Policy.
- (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.
- (3) The accounting officer may split unduly large quantities of work into smaller contracts (units) to provide opportunities for emerging entrepreneurs and make it manageable. This may only be done when it is technically, logistically and financially feasible.

## **22. Process for competitive bidding**

- (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

<sup>20</sup> Amended by council 30 May 2017

- (b) Public invitation of bids as detailed in paragraph 24;
- (c) Site meetings or bid clarification meetings as detailed in paragraph 25;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 27;
- (e) Evaluation of bids as detailed in paragraph 36;
- (f) Award of contracts as detailed in paragraph 37;
- (g) Administration of contracts -
  - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) 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**

(1) The criteria to which bid documentation for a competitive bidding process 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;
  - (iv) And clearly indicate the terms and conditions of contract specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include if and where site meetings/ bid clarification meetings are compulsory.
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations 2017;<sup>21</sup>
- (c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) Provide for an appropriate contract and / or delivery period;
- (e) stipulate if the value of the transaction is expected to exceed R5 million (VAT included), require bidders to furnish–

<sup>21</sup> Amended by council 30 May 2017

- (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 or municipal entity is expected to be transferred out of the Republic; and
- (j) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (k) Not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons or categories of persons.

**24. Public invitation for competitive bids**

- (1) The procedure for the invitation of competitive bids is as follows:
  - (a) On completion of the bid specification process the municipality shall publicly invite bids.
  - (b) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the

Government Tender Bulletin);

- (b) The notice may require a payment of a non-refundable bid fee by bidders who require bid documents. The bid documentation fee shall be determined by the accounting officer from time to time
  - (d) The information contained in a public advertisement, must indicate –
    - (i) The title of the proposed bid;
    - (ii) The bid number;
    - (iii) The date, time and location of any site meeting/ bid clarification meeting and whether such meetings are compulsory;
    - (iv) Whether functionality is required;
    - (v) The place where the bid documentation is available for collection and the times between which bid documents may be collected;
    - (vi) The bid documentation fee;
    - (vii) The place where bids must be submitted;
    - (viii) The closing date and time for submission of bids; and
    - (ix) The required CIDB contractor grading for construction work, if applicable.
  - (e) The closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R4 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 22(2) of this policy;
  - (f) A statement that bids may only be submitted on the bid documentation provided by the municipality, must be included.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

- (3) Bids submitted must be sealed and must clearly indicate the bid number and bid title on the outside of the envelope for which the bid is being submitted.<sup>22</sup>
- (4) Details of all prospective bidders who have been issued with bid documents must be recorded by the Supply Chain Management Unit and shall remain confidential for the duration of the bid period. Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, the name of the company for whom the bid documents are, a contact person, a contact telephone, a fax number and a postal and email address.
- (5) A bidder that did not pay the prescribed bid document fee, will be disqualified from the bidding process.
- (6) The municipality may require bidders to submit section(s) of their bid in electronic format, but only after the bid closing date. If the electronic copy differs from the original hard copy, the original hard copy will be binding.

**25. Site meetings/ bid clarification meetings**

- (1) Site meetings/ bid clarification meetings will, in general, not be compulsory. In exceptional circumstances however, a site meeting/ bid clarification meeting may be made compulsory with the approval of the relevant director.
- (2) If site meetings/ bid clarification meeting are to be held, full details must be included in the bid notice and the bid document, including whether or not the site meeting/ bid clarification meeting is compulsory.
- (3) Where site meetings/ bid clarification meetings are made compulsory, the date for the site meetings/ bid clarification meeting shall be not less than 7 (seven) days after the bid has been advertised.
- (4) Site meetings/ bid clarification meeting will be chaired by a duly authorised representative from the Supply Chain Management Unit. The relevant line manager responsible for a specific bid or the duly appointed consulting

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<sup>22</sup> Amended by council 30 May 2017

engineering firm employee must be present at the site meetings/ bid clarification meeting in order to provide technical information and to answer technical related questions that might arise from the prospective bidders.

- (5) The chairperson of the site meeting/ clarification meeting must explain the way how the site meetings/ bid clarification will be conducted and must exclude prospective bidders that arrive after the meeting has been opened.
- (6) Prospective bidders present at the site meetings/ bid clarification meeting, will be required to confirm their attendance by signing the attendance register as provided by the Supply Chain Management Unit.
- (7) In instances where bid documentation provides for an attendance certificate, such a certificate must be signed by the representative of the Supply Chain Management Unit who was present at the site meetings/ bid clarification meeting and submitted with the bid document.
- (8) If at a site meetings/ bid clarification meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in writing within a time frame as determined by the municipality, but not later than 7 (seven) days before the bid closing date.
- (9) Drawings and other supplements to bid documents may be provided to prospective bidders at the site meetings/ bid clarification meeting.
- (10) A bidder who failed to attend a compulsory site meeting/ bid clarification meeting will be disqualified from the bidding process.

**26. Submission of bids**

- (1) Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
- (2) Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.



- (3) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.
- (4) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- (5) No bids forwarded by telegram, facsimile or similar apparatus shall be considered.
- (6) A bid is late if it is not placed in the relevant bid box by the closing time and date of such bid.
- (7) A late bid shall not be admitted for consideration and shall be returned unopened (where feasible) to the bidder with the reason for the return thereof endorsed on the envelope.

**27. Procedure for handling, opening and recording of competitive bids and formal written price quotations in excess of R 30 000<sup>23</sup>**

- (1) The procedures for the handling, opening and recording of **competitive** bids and formal written price quotations in excess of R 30 000, are as follows:<sup>24</sup>
  - (a) At least two officials, of whom one must be the delegated Supply Chain Management representative, must at all times, administer the opening of bids.
  - (b) At the specified closing time on the closing date the applicable bid box shall be closed.
  - (c) The bid box shall be opened in public as soon as practical after the closing time of the bid.
  - (d) Immediately after the opening of the bid box, all bids that are clearly marked shall be opened.

<sup>23</sup> Amended by council 30 May 2017

<sup>24</sup> Amended by council 30 May 2017

- (e) The Supply Chain Management representative as delegated, shall read out the name of the bidder, if practical the bid amount, the BBBEE status level contribution of each bidder, where applicable the local content percentages of the goods offered and the bid opening register will be made available for public inspection and published on the municipality's website.<sup>25</sup>
- (f) 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;
- (g) No information, except the provisions in subparagraph (e), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (h) The Supply Chain Management representative that is delegated to open the bids must –
- (i) stamp the bid document with the official municipal stamp together with the two signatories administering the bid opening
  - (ii) record in a register all bids received in time;
  - (iii) sign the register as well as the official assisting at the bid opening.
  - (iv) Make the register available for public inspection; and
  - (v) Publish the entries in the register and the bid results on the website.
  - (vi) No councillor may be present at the opening of bids.
- (2) Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official to open the bid, in the following instances:
- (a) If the bid is not sealed;
  - (b) if the bid, including the bid price amount, where applicable is not submitted on the official Form of Bid/Offer;

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<sup>25</sup> Amended by council 30 May 2017

- (c) if the bid is not completed in non-erasable ink;
  - (d) if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
  - (e) if in a two envelope system is followed, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid.
- (3) A bid will not be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening and shall be deemed to be the bid amount.
- (4) The Manager Supply Chain Management may, in compliance with paragraph 63 of this policy, provide a reasonable opportunity to a bidder who made an innocent error and/ or omission in his/ her bid document, to correct the innocent error and/ or omission, provided that such opportunity will not unduly prejudice any of the other bidders.
- (5) Bidders shall be afforded no longer than 48 hours from time of notification to correct such innocent errors and/ or omissions. If no response is received from such bidders at the deadline, the bid may be invalidated.
- (6) When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason for the bid having been declared invalid shall be announced.

**28. Procedure for the opening of bids where a two envelope system is followed**

- (1) If a two envelope system is followed, only the technical proposal will be opened at the bid opening.
- (2) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.
- (3) When required the financial offers/bids corresponding to responsive technical proposals, shall be opened by the opening officials in accordance with paragraph 27 (1) (a)

- (4) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- (5) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard.

### **29. Communication with bidders before bid closing**

- (1) The Manager Supply Chain Management may, if necessary, communicate with bidders prior to bids closing.
- (2) Such communication shall be in the form of a notice issued to all bidders by the Manager Supply Chain Management by either e-mail, facsimile, or registered post as may be appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible, except in terms of paragraph 13 (7).
- (3) Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in paragraph 29 (2) have been complied with.

### **30. Negotiations with preferred bidders**

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
  - (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

### **31. Two-stage bidding process**

- (1) A two-stage bidding process is allowed for –
  - (a) Large complex projects;
  - (b) Projects where it may be undesirable to prepare complete detailed

technical specifications; or

- (c) Long term projects with a duration period exceeding three years subject to section 33 of the Act.
- (2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage final technical proposals and priced bids should be invited.
- (4) A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated.

**32. Validity periods**

- (1) The period for which bids are to remain valid and binding must be indicated in the bid documents.
- (2) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
- (3) This period of validity may be extended by the Manager: Supply Chain Management, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.
- (4) Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.
- (5) In the event that an appeal is received, the validity period is deemed to be extended until finalisation of the appeal.

**33. Samples**

- (1) Bid documents may require samples that must be submitted.
- (2) Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the Supply Chain Management representative mentioned in the bid document before the bid closing date.
- (3) A register will be kept by the Supply Chain Management representative of samples received from prospective bidders. An acknowledgement of receipt shall be issued to the prospective bidder as proof of delivery.
- (4) Bids may not be included in parcels containing samples.
- (5) If samples are not submitted as required in the bid documents then the bid concerned must be declared non-responsive.
- (6) Samples shall be supplied by a bidder at his/her own expense and risk. The municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents.
- (7) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample. If not, it might be deemed as a breach in contract.
- (8) The municipality reserves the right not to return the contract sample and may dispose of it at its own discretion.

**34. Committee system for competitive bids**

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for procurement or cluster of procurements as

the accounting officer may determine:

- (a) A bid specification committee;
  - (b) A bid evaluation committee; and
  - (c) A bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
- (a) Paragraph 35, 36 and 37 of this Policy; and
  - (b) Any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

### **35. Bid specification committees**

- (1) A bid specification committee must compile the specifications for procurement of goods or services by the municipality.
- (2) Specifications –
- (a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
  - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
  - (c) Must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
  - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test

- methods, packaging, marking or labelling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
  - (f) must indicate the preference points system to be utilised as set out in the Preferential Procurement Regulations 2017; and<sup>26</sup>
  - (g) Must be approved by the relevant director prior to publication of the invitation for bids in terms of paragraph 24 of this Policy.<sup>27</sup>
- (3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

**36. Bid evaluation committees**

- (1) A bid evaluation committee must –
  - (a) Evaluate bids in accordance with –
    - (a) the specifications for a specific procurement; and
    - (b) The points system set out in terms of paragraph 35 (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.
- (2) A bid evaluation committee must as far as possible be composed of-

<sup>26</sup> Amended by council 30 May 2017

<sup>27</sup> Amended by council 30 May 2017



- (a) Officials from departments requiring the goods or services; and
  - (b) At least one supply chain management practitioner of the municipality.
- (3) The accounting officer may sub-delegate its power in terms of paragraph 63 of this policy to the bid evaluation committee.

**37. Bid adjudication committees**

- (1) A bid adjudication committee must –
  - (a) Consider the report and recommendations of the bid evaluation committee; and
  - (b) Either –
    - (i) Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
    - (ii) Make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior Managers of the municipality which must include –
  - (a) The Chief Financial Officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer;
  - (b) at least one senior supply chain management practitioner who is an official of the municipality or the municipal entity; and
  - (c) a technical expert in the relevant field who is an Director of the municipality or municipal entity, if the municipality or municipal entity has such a expert
- (3) A quorum is of 50 % plus 1, with 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 being, at all times one of the quorum-forming members:
- (4) The accounting officer may appoint the CFO as 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 and will be documented in the minutes.

- (5) 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.
- (6) 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 –
  - (a) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
  - (b) Notify the accounting officer.
  - (c) 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)-(b); 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.
- (7) 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.
- (8) The accounting officer must comply with section 114 of the Act within 10 working days
- (9) If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision

- (10) Every notification of decision shall be sent via registered mail and either faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.
- (11) Members of the bid specification committee, bid evaluation committee and technical advisors may attend the bid adjudication committee to provide clarity, but has no decision making rights pertaining to the award.
- (12) The accounting officer may sub-delegate its power in terms of paragraph 63 of this policy to the bid evaluation committee, the bid adjudication committee and the Manager Supply Chain Management.

**38. Procurement of banking services**

- (1) A contract for banking services –
  - (a) Must be procured through competitive bids;
  - (b) Must be consistent with section 7 or 85 of the Act; and
  - (c) May not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 Days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

**39. Procurement of IT related goods or services**

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

- (3) The accounting officer must notify SITA together with a motivation of the IT needs if –
  - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - (b) The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagree 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.

**40. Procurement of goods and services under contracts secured by other organs of state**

- (1) the accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
  - (a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - (b) There is no reason to believe that such contract was not validly procured;
  - (c) There are demonstrable discounts or benefits to do so; and
  - (d) That other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs (1) (c) and (d) do not apply if –
  - (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - (b) A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

**41. Procurement of goods necessitating special safety arrangements**

- (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel,

- (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.

**42. Proudly SA Campaign/Local content**

- (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
- (2) Bids in respect of services, works or goods that have been designated for local production and content, must contain a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered
- (3) The National Department of Trade and Industry is empowered to designate industry sectors, in line with national development and industrial policies for local production, where only locally produced goods, services or construction works, or locally manufactured goods that meet a stipulated minimum threshold for local production and content, may be used.
- (4) In the case of designated sectors, where in the award of bids, local production and content is of critical importance, such bids must be advertised with a specific condition of bidding, that only locally produced goods, services or construction works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- (5) Any instructions, circulars and guidelines issued by National Treasury in the above regard may be complied with.
- (6) Where there is no designated sector, bids may include, as a specific condition of bidding, that only locally produced goods, services or

construction works, or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.

- (7) Every bid where local production and content are used, it must be measurable and audited.
- (8) Bids must be evaluated in terms of the evaluation criteria stipulated in the bid documents. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not allowed as this may jeopardise the fairness of the process.

**43. Appointment of consultants**

- (1) the accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if
  - (a) The value of the contract exceeds R200 000 (VAT included); or
  - (b) The duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
  - (a) all consultancy services provided to an organ of state in the last five years; and
  - (b) Any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

**44. Deviation from, and ratification of minor breaches of, procurement processes**

(1) The accounting officer may –

(a) Dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations and through the process set out in this paragraph provided that the municipality shall adhere to fair, equitable, transparent, competitive and cost-effective, procurements to the maximum extent practicable.

(b) Dispense with the official procurement processes established by this Policy 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

(c) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) In compliance with the provisions of paragraph 44(1) the municipality implements individual and class deviations.

(3) Individual Deviations

The accounting officer may decide to consider an individual deviation only if –

(a) In an emergency

(b) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and the goods or services are anticipated to be used only once during the financial year.

(4) The conditions warranting procurement in an emergency dispensation should include, where time of the essence, the existence of one or more of the following:

- (a) the possibility of human injury or death;
- (b) the prevalence of human suffering or deprivation of rights;
- (c) the possibility of damage to property, or suffering and death of livestock and animals;
- (d) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;
- (e) the possibility of serious damage occurring to the natural environment;
- (f) the possibility that failure to take necessary action may result in the municipality not being able to render an essential community service; and
- (g) the possibility that the security of the state could be compromised.

(5) The accounting officer must be satisfied that the prevailing situation as indicated in (a)-(g) above is of such a scale and nature that it could not readily be alleviated by interim measures in order to allow time for normal bid, at least three quote procurement process or a class deviation.

(6) Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipal Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Municipal Manager as soon as possible thereafter.

(7) System of class deviations:

(a) The accounting officer may decide to consider a class deviation, only if –

- (i) Such goods or services are produced or available from a single provider;
- (ii) For the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iii) Acquisition of animals for zoos and/or nature and game reserves; or

(iv) In any other exceptional case where it is impractical or impossible to follow the official procurement processes and a contract for goods or services are likely to be awarded more than once in the financial year to the same supplier;

(8) Where possible, in considering a class deviation in terms of paragraph 44(7), three quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipal Manager for



approval.

- (9) If the accounting officer decides to consider a class deviation in terms of paragraph 44 (7) (i)-(iv), other than in paragraph 44(8) the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with
  - a) Reasons as to why the procurement is done through a class deviation and why it is not open to other competitors; and
  - (c) An invitation to the public or other potential suppliers to submit their comments within 14 days of the notice.
  
- (10) The bid adjudication committee must consider the class deviation and make a recommendation to the accounting officer
  
- (11) A meeting of the adjudication committee to consider a class deviation may be open to the public.
  
- (12) When considering the class deviation, the adjudication committee must take into account –
  - (a) Any comments submitted by the public or suppliers;
  - (b) The indicative market prices of the goods or services;
  - (c) The duration or planned times of when the service or goods are needed;
  - (d) The proposed circumstances, conditions or limitations for the use of the class deviation; and
  - (e) The reasons for deviating from the normal procurement process in compliance with paragraph 44
  
- (13) The accounting officer must record the reasons for any deviations in terms of this policy and report them to the next meeting of the council and include it as a note to the annual financial statements.
  
- (14) Paragraph 44 (13) of this policy does not apply to the procurement of goods and services contemplated in paragraph 13(2) of this policy.

#### **45. Unsolicited bids**

- (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
  - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) The product or service will be exceptionally beneficial to, or have exceptional cost advantages;
  - (c) The person who made the bid is the sole provider of the product or service; and
  - (d) The reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph 45(2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
  - (a) Reasons as to why the bid should not be open to other competitors;
  - (b) An explanation of the potential benefits if the unsolicited bid were accepted; and
  - (c) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

- (7) When considering the matter, the adjudication committee must take into account –
  - (a) any comments submitted by the public; and
  - (b) Any written comments and recommendations of the National Treasury or the relevant provincial treasury.
  
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
  
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

#### **46. Combating of abuse of supply chain management system**

- (1) The accounting officer must–
  - (a) Take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
    - (i) Take appropriate steps against such official or other role player; or
    - (ii) Report any alleged criminal conduct to the South African Police Service;
  - (c) Check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - (d) Reject any bid from a bidder–
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality,

- or to any other municipality or municipal entity, 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).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of paragraphs 46 (1) (b) (i)-(ii) of this policy.

**Part 3: Logistics, Contract, Disposal, Risk and Performance Management****47. Logistics management**

Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

- (1) The accounting officer must establish and implement an effective system of logistics management, which must include –
  - (a) Placing of orders:
    - (i) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations.
    - (ii) All purchase orders will be captured on the municipality's financial system
  - (b) Receiving of goods:
    - (i) Goods received must be captured on the municipality's financial system via a goods receive note with reference to the relevant purchase order number.
    - (ii) Deliveries of goods may not exceed the order quantity. Short deliveries will keep the purchase order open until the balance of the order is received or when the order is cancelled.
  - (c) Expediting orders:
    - (i) The purchasing expeditor will be required to monitor and expedite the transport of goods and outstanding purchase orders.
    - (ii) Reminder letters can be communicated automatically to vendors based on the reminder levels (days before delivery due date) that are set in the bid or quotation.
  - (d) Stores / warehouse management

- i. Stock is valued at the weighted average costing method per item and is VAT exclusive.
- ii. Regular monitoring of spending patterns on types or classes of goods must be performed, where practical.
- iii. Each item must have a unique stock item number.
- iv. A formal stock count must be done on a quarterly basis and any surpluses, deficits, losses, damaged stock and obsolete stock must be reported by the Manager Supply Chain Management to Council.
- v. Each stock item must have a minimum, maximum and re-order level which must be captured on the financial system.
- vi. Stock items must be systematically replenished using the re-order point as per the financial system.
- vii. Goods in transit must be taken into account during the replenishment of stock
- viii. Stock levels must be revisited on an annual basis
- ix. The financial system must indicate lead times for stock items
- x. Before payment is approved, certification by the Storekeeper 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
- xi. The Storekeeper must ensure appropriate standards of internal control and warehouse management are adhered to, to ensure that goods placed in stores are secure, safe and

only used for the purpose for which they were purchased

- xii. The Storekeeper must perform regular spot-checking of stock items to ensure that the items are on the correct shelving space and that the physical quantities correspond with the quantities as per the financial system. Any differences found must be reported to the Manager Supply Chain Management.
- xiii. Items listed as stock, may not be procured outside of the stock system.
- xiv. Where user departments require higher quantities of stock, a demand forecast must be provided to the Storekeeper in advance, taking lead time into consideration, to enable the Storekeeper to procure the requested quantities on time.

#### **48. Contract management**

- 1) Contract administration includes all administrative duties associated with a contract that has arisen through the acquisition/procurement processes described in this policy.
- 2) All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract.
- 3) The contract manager will typically be the internal project manager assigned to the project as a whole, but may also be a cost centre owner or other responsible official.
- 4) A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.
- 5) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.
- 6) In administering a contract, the contract manager will be required to form

opinions and make decisions which, while in the Witzenberg Municipality's best interests, must be fair to all parties concerned.

- 7) Directors shall be responsible for ensuring that contract managers are:
  - (a) assigned to all contracts within the Director's area of responsibility; and
  - (b) adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.
- 8) The contract manager must:
  - (a) ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;
  - (b) ensure that purchase order are captured on the municipality's financial system in the form in accordance with the pricing schedule;
  - (c) ensure that all original contract documentation is lodged with Archives for record purposes;
  - (d) monitor on a monthly basis the performance of the service provider order to ensure that all of the terms and conditions of the contract are met;
  - (e) regularly report to the accounting officer on the management of the contract and the performance of the service provider;
  - (f) conduct contract risk assessments for contracts longer than 3 months as stated in paragraph 50 (4) and 50 (5);
  - (g) where necessary, take appropriate action where a service provider is underperforming or is in default or breach of the contract and to report such failures promptly to the accounting officer;
  - (h) where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that



the necessary Service Entry Sheets or Goods Received Notes are lodged with the Finance Department for capturing on the municipality's financial system;

- (i) contract variation or change procedures are approved by the accounting officer in writing which must be in line with the applicable general conditions of contract and this policy;
- (j) administer disputes, in consultation with the Supply Chain Management Unit, in terms of this policy and the applicable conditions of contract;
- (k) conduct, as appropriate, post contract reviews;
- (l) maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- (m) act with care and diligence and observe all accounting and legal requirements;
- (n) inform the Asset Management section of the location of newly procured assets for asset register and insurance purposes; and
- (o) provide contract information to the Supply Chain Management Unit, as determined by the unit, after a contract has ended.

**49. Disposal management**

- (1) Subject to the provisions of the Municipal Asset Transfer Regulations:
  - (a) moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the municipality;

- (b) immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
  - (c) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment;
  - (d) in the case of fire arms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.
  - (e) where assets are traded in for other assets, the highest possible trade in price is negotiated
- (2) 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 as follows:
- (A) *A municipality may not transfer ownership as a result of sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.*
  - (B) *A municipality may transfer ownership or otherwise dispose of capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public-*
    - (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and*
    - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset*
- (3) *Immovable property may only be let at market related rates except when the*

*public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;*

*(a) Except for compliance with paragraph 49(3) above, this policy shall not apply to the letting of immovable property unless decide otherwise by council.*

(4) Assets may be disposed of by –

- (i) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (ii) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) Selling the asset; or
- (iv) Destroying the asset.

**50. Risk management**

(1) The accounting officer has established and implemented an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.

(2) Risk management include –

- (a) The early and systematic identification of risks on a case-by-case basis;
- (b) The allocation and acceptance 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.

(3) Due care must be taken in the bid administration and management process to minimise the risks of:

- (a) litigation by unsatisfied service providers

- (b) misinterpretation of municipal needs
  - (c) overstatement or understatement of municipal needs
  - (d) selecting or delivery of inappropriate goods and services
  - (e) poor value for money
  - (f) appointing inappropriate suppliers
  - (g) unethical conduct of suppliers and other official involved in the supply chain management process
  - (h) uneconomical, uncompetitive and inequitable procurement
- (4) To give effect to paragraph 3 above, the municipality will identify risk inherent to a particular bid
- (a) Risks may be identified for all bids during the specification stage of the bid process.
  - (b) Risks identified in (i) above may cover the entire life cycle of a contract from initiation to completion of the goods/services
  - (c) For contracts with a life cycle in excess of 3 months, the risks may be reviewed at least monthly by the contract manager as referred to in paragraph 48(1)(e)(iii)
  - (d) The contract manager in conducting the review of the bid risks during the life cycle of the contract may add new or emerging risks when identified
- (5) A risk table may be included at specification stage for each bid that may set out:
- (a) Risk description
  - (b) Background to the risk
  - (c) Impact
  - (d) Likelihood
  - (e) Inherent risk
  - (f) Current controls
  - (g) Perceived control effectiveness
  - (h) Residual risk
  - (i) Risk owner
  - (j) Actions to improve management of the risk
  - (k) Time scale

- (6) The risk rating methodology will be in accordance with the Witzenberg Municipality's risk management policy.
- (7) The Evaluation and Adjudication Committee may review risks of bids received against the predetermined risk as identified at the bid specification stage and may in conducting the review of the bid add new or emerging risks and mitigating strategies when identified.
- (8) At the briefing session with the successful bidder in terms of paragraph 66 of this policy:
  - (a) Risks identified during the Bid specification, Bid evaluation and Bid adjudication process that pertains to the contract for goods or services may be disclosed to the successful bidder to improve mitigating factors.
  - (b) New and emerging risks identified may be added
  - (c) Risks identified by the successful bidder may be added to the contract risks if agreed to by the municipality.

#### **51. Performance management**

- (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.
- (2) The quarterly report and annual report on the implementation of this policy, the monitoring of the service delivery and budget implementation plan (SDBIP) and the Annual Report may be used as tools to perform a retrospective analysis of supply chain management processes.
- (3) **Vendor performance**
  - (a) Each project manager shall monitor the supplier's compliance and performance to the set of specifications.
  - (b) If the supplier fails to perform in accordance with the specification requirements, the project manager must report such failure to the supplier in writing immediately upon becoming aware of such non-compliance for them to correct the situation.
  - (c) The above information will be kept and made available for future

evaluation purposes, contract negotiations and regular feedback to vendors.

- (d) If vendors fail to deliver in terms of paragraph 23 (1) (a) of the General conditions of contract, the municipality reserves the right to make use of remedies at its disposal in terms of applicable law.

**Part 4: Other matters**

**52. Prohibition on awards to persons whose tax matters are not in order**

- (1) No award above R15 000 (including VAT) may be made in terms of this policy to a person whose tax matters have not been declared by South African Revenue Service to be in order.<sup>28</sup>
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.
- (4) It is the supplier's responsibility to provide the municipality with a valid and original tax clearance certificate.

**53. Prohibition on awards to persons in the service of the state**

- (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 with the purpose of assisting the municipality with the defining of requirements, drafting of specifications or the evaluation of the bids.
- (2) Persons and business must declare their interest as stated in 53(1)(a)-(c)

<sup>28</sup> Amended by council 30 May 2017

of this policy when completing their supplier database application forms and bid documents. Failure to do so may lead to disqualification.

- (3) The municipality may utilise mechanisms at its disposal to determine whether a person is in the service of the state.

**54. Awards to close family members of persons in the service of the state**

- (1) The municipality does not encourage the awarding of contract by employees in decision-making positions to close family members or friends. To this extent the municipality requires all employees to make full disclosures of businesses owned by close family members and/ or friends and it is further expected that such individuals must not directly or indirectly be involved in the awarding of such business
- (2) 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.

**55. Ethical standards**

- (1) A code of ethical standards as set out in the “National Treasury’s code of conduct for supply chain management practitioners” 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.
- (2) 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.

**56. Inducements, rewards, gifts and favours to municipalities, officials and other role players**

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
  - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
  - (b) Any reward, gift, favour or hospitality to –
    - (i) Any official; or
    - (ii) Any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph 55 (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph 55 (1) does not apply to gifts less than R350 in value.

**57. Sponsorships**

- (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.

**58. Objections and complaints**

- (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.

**59. Resolution of disputes, objections, complaints and queries**

- (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –
  - (a) To assist in the resolution of disputes between the municipality and other persons regarding -
    - (i) Any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) Any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
  - (a) Strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) Submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the Relevant provincial treasury if –
  - (a) The dispute, objection, complaint or query is not resolved within 60 days; or
  - (b) No response is forthcoming within 60 days.

- (5) If the provincial treasury does not or cannot resolve the matter, the Dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

**60. Contracts providing for compensation based on turnover**

- (1) If a service provider acts on behalf of a 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
    - (i) That such compensation must be performance based.

**61. Compliance with Ethical standards**

- (1) In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the accounting officer and all representatives of the Witzenberg Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards. All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, the code of conduct for supply chain management practitioners and other role players (annexure A to this policy) and the Ethical code of suppliers (annexure B to this policy).

**62. Handling of proprietary information**

- (1) All information designed and prepared for the municipality is deemed as proprietary. No such information may be distributed, modified or customised for third parties without the written permission of the accounting officer.
- (2) All supplier information shall be treated as confidential
- (3) In appropriate instances, the municipality may require security clearance and confidentiality agreements to be entered into with suppliers.

**63. Non-compliance with peremptory requirements of bids**

- (1) The accounting officer is empowered to condone non-compliance with peremptory requirements of bids in cases where the condonation is not incompatible with public interest and promote the values of fairness, competitiveness and cost-effectiveness which are listed in Section 217 of the Constitution.

**64. Right of Appeal**

- (1) In terms of Section 62 of the Municipal Systems Act (Act 32 of 2000 as amended), a person whose rights are affected by a decision taken by the municipality, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision.

Bid documents must state that any appeal in terms of paragraph 64 must be submitted to the Municipal Manager, and must contain the following:

- (a) reasons and/or grounds for the appeal;
  - (b) the way in which the appellants rights have been affected; and
  - (c) the remedy sought by the appellant.
- (2) The Municipal manager shall establish an appropriate appeal authority in terms of section 62 of the Systems Act, to consider appeals received in terms of paragraph 64(1) above
  - (3) The appeal authority must consider the appeal, and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision

**65. Unsuccessful bidder debriefing**

- (1) The unsuccessful bidder debriefing service is offered by the municipality to unsuccessful bidders upon request.
- (2) During the debriefing unsuccessful bidders can find out how their proposal scored against required criteria and obtain comments from the evaluation

team on their bid.

- (3) The debriefing should be a positive and constructive experience that explains how bidders can improve future submissions.
- (4) The debriefing an opportunity for unsuccessful bidders to:
  - (a) Learn more about the procurement and evaluation process in an informal setting.
  - (b) Find out how their proposal scored against the required criteria.
  - (c) Hear the overall comments from the evaluation team on your bid.
  - (d) Gather information on how future submissions may be improved.
- (5) The debriefing is not part of the Supply Chain complaint or appeal process in terms of paragraph 58 or 64 of this policy.
- (6) The debriefing is not legal proceeding and no legal representation is permitted at the debriefing.
- (7) At the debriefing session the unsuccessful bid is not compared to other bids, nor will information be provided to the unsuccessful bidder about other bids.
- (8) In scheduling bidders debriefings session upon the request of the unsuccessful bidder, the municipality must:
  - (a) Confirm the date and time of the debriefing session in writing;
  - (b) Conduct separate debriefings with each vendor;
  - (c) Ensure that proper minutes are kept of each debriefing session;
  - (d) Retain all correspondence and documentation relevant to the debriefing session as part of the procurement documentation.
- (9) In conducting bidders debriefings, the municipality may:
  - (a) Provide a general overview of the evaluation process set out in the bid documents;
  - (b) Discuss the strengths and weaknesses of the bidder's submission in relation to the specific evaluation criteria and the bidders evaluated score.
  - (c) Provide suggestions on how the supplier may improve future submissions;
  - (d) Address specific questions and issues raised by the supplier in relation to their submission.

**66. Successful bidder briefing**

- (1) The notification to the successful bidder in terms of paragraph 37(8) may

require of the successful bidder to attend a compulsory briefing session with the municipality before commencement of the contract at no cost to the municipality.

- (2) The purpose of the briefing session is to:
  - (a) Introduce the municipal contract manager allocated to the specific contract in terms of paragraph 48 and to meet the successful bidders contract manager;
  - (b) Examine and analyse the bid document and contractual conditions to ensure that specific expectations of the municipality and the obligations of the successful bidder are well understood;
  - (c) Discuss the strengths and weaknesses of the bidder's submission in relation to the specific evaluation criteria and the bidders evaluated score.
  - (d) Communicate and document the anticipated contract risks and challenges as perceived by both the municipality and the successful bidders;
  - (e) To develop mitigating strategies to address and mitigate the contract risk and challenges; and
  - (f) Communicate the contract administration process as stated in paragraph 48 of this policy.
  - (g) Formally sign the bid contract
  
- (3) At least the following persons must attend the briefing session:
  - (a) The municipal contract manager
  - (b) The authorised municipal supply chain official
  - (c) The successful bidders authorised contract signatory
  - (d) The successful bidders contract manager
  
- (4) The notification to the successful bidder refer to in paragraph 66(1) must state the date, time and place of the briefing session in writing.
  - (a) Proper minutes must be kept of each briefing session;
  - (b) All correspondence and documentation in relation to the briefing session must be maintained as part of the procurement documentation.

**67. Acceptance of offers**

- (1) At the invitation of bids, or quotations;
  - (a) the municipality is not obliged to accept the lowest or any offer;
  - (b) The municipality may, where an offer relates to more than one item, accept such offer in respect of or any specific item or items.
  - (c) The municipality may accept any offer notwithstanding the fact that the offer does not comply with the bid invitation in respect of which the offer has been made subject to the conditions of paragraph 63 of this policy.

**68. Commencement**

This Policy takes effect on 1 July 2017

**ANNEXURE A**

WITZENBERG MUNICIPALITY

CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

The **purpose** of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

**1. General Principles**

The municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

**2. Conflict of interest**

An official or other role player involved with supply chain management –

- (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) 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, 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 declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) Should not take improper advantage of their previous office after leaving their official position.

### **3. Accountability**

Practitioners are accountable for their decisions and actions to the public.

Practitioners should use public property scrupulously.

Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.

All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.



Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

- (i) Any alleged fraud, corruption, favouritism or unfair conduct;
- (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
- (iii) Any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the **Mayor** who must ensure that such declaration is recorded in the register.

#### **4. Openness**

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

#### **5. Confidentiality**

Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.

Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

#### **6. Bid Specification / Evaluation / Adjudication Committees**

Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

No person should-

- (i) Interfere with the supply chain management system of the municipality; or
- (ii) Amend or tamper with any price quotation / bid after its submission.

## **7. Combative Practices**

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- (i) Suggestions to fictitious lower quotations;
- (ii) Reference to non-existent competition;
- (iii) Exploiting errors in price quotations / bids;
- (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

## **ANNEXURE B**

### **Witzenberg Municipality's Supply Chain Management: Supplier's Code of Conduct**

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

WM is committed to high standards of business ethics and integrity as reflected in this WM Code of Conduct. WM expects all of its suppliers to adhere to similar good working standards and business ethics. The Supplier is expected to comply with the requirements set out in this WM Supplier Code of Conduct. In addition, WM and the Supplier may agree on further standards in supply agreements.

#### **1. Human Rights**

This Bill of Rights, as enshrined in Constitution Act 108 of 1996, is a cornerstone of democracy in South Africa. It enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom. The Constitution obliges municipalities to respect, protect, promote and fulfill the rights in the Bill of rights. To this end, when service providers provide services to and on behalf of the WM they are also obliged to respect, protect, promote and fulfill the rights in the Bill of rights insofar as it is relevant to their business.

In accordance with the aforementioned ethics and standards, WM require the following business practices from Suppliers:

- To not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.
- To respect the right of everyone to inherent dignity and the right to have their dignity respected and protected.
- To respect the right of every person not to be subjected to slavery, servitude or forced labour.

- To respect everyone's right to freedom of conscience, religion, thought, belief and opinion.

## **2. Fair Labour Conditions and Child Labour**

The Supplier will ensure fair labour conditions. In particular, the supplier will:

- refrain from employment discrimination based on gender, colour, ethnicity, religion, disability, union membership, political affiliation or sexual orientation;
- respect the rights of employees to freely associate and bargain collectively;
- comply with all applicable laws on employment and in particular the Basic Conditions of Employment Act 75 of 1997 and the Labour relations Act 66 of 1995.
- not use any forced or compulsory labour or involuntary prison labor and give all employees the choice to leave their employment freely upon reasonable notice;
- compensate employees fairly and adhere to the Basic Conditions of Employment Act 75 of 1997, sector specific minimum wages and / or collective agreements and where these do not exist, compensate employees so they can at the least meet their basic needs; and
- The Supplier will protect children from exploitative labour practices and in particular they will not require or permit children to perform work or provide services that-
  - are inappropriate for a person of that child's age; or
  - place at risk the child's well-being, education, physical or mental health or spiritual, moral or social development;

## **3. Occupational Health and Safety**

The Supplier will strive to provide a safe and healthy workplace for all of its employees and strive to adhere to the requirements of Occupational Health and Safety Act 85 of 1993.

**4. Environmental Responsibility**

The Supplier is committed to environmental protection and will conduct its business in an environmentally sensitive way.

**5. Business Ethics**

The Supplier will conduct its business in an ethical manner in accordance with all applicable rules and regulations. In particular, the Supplier will

- refrain from any and all forms of extortion and bribery;
- adhere to anti-trust and other competition laws, e.g. not participating in price fixing or bid-rigging; and
- disclose to WM information about any principal shareholder, directors in the service of the state
- The Supplier will protect all confidential information provided by WM and its respective business partners.

**6. Conflict of Interest**

The Supplier must disclose to WM information about conflict of interest of any WM employee, or close family member of an employee that have an interest in any of the Supplier's business.

Suppliers must not use their position for private gain or to improperly benefit any person or company.

Suppliers must not offer any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of a WM employee, irrespective of the value of the gift, reward, favour, hospitality or benefit.

Suppliers must declare to the accounting officer of WM details of any private or business interest which an employee of WM, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by WM;

Suppliers must not place WM employees under any financial or other obligation that might seek to influence WM employees in the performance of their official

duties; and

Suppliers must not take improper advantage of previous WM employees to unfairly benefit the supplier by using the information or knowledge of previous employees of WM after leaving office.

## **7. Business Continuity Planning**

The Supplier shall maintain appropriate insurance and or policies to mitigate exposures to business risk, business threats, terrorism, crime, pandemics, natural disasters and related major accident exposures.

## **8. Procurement by Supplier**

WM expects the Supplier to obtain confirmation from each of its sub-suppliers providing goods or services directly or indirectly to WM that the sub-supplier acts in compliance with this WM Supplier Code of Conduct.



# SCM POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

Contents

1	Scope	3
2	Terms, definitions and abbreviations	3
	2.1 Terms and definitions	3
	2.2 Abbreviations	4
3	General requirements	4
	3.1 Delegations	4
	3.2 Objections and complaints	5
	3.3 Resolution of disputes, objections, complaints and queries	5
4	Control framework for infrastructure delivery management	5
	4.1 Assignment of responsibilities for approving or accepting end of stage deliverables	5
	4.2 Gateway reviews	8
5	Control framework for infrastructure procurement	9
6	Infrastructure delivery management requirements	9
	6.1 Institutional arrangements	9
	6.1.1 Committee system for procurement	9
	6.1.2 Actions of the accounting officer relating to the award of a contract or an order	15
	6.1.3 Conduct of those engaged in infrastructure delivery	15
	6.1.4 Measures to prevent abuse of the infrastructure delivery system	19
	6.1.5 Awards to persons in the service of the state	19
	6.1.6 Collusive tendering	19
	6.1.7 Placing of contractors under restrictions	20
	6.1.8 Complaints	20
	6.2 Acquisition management	20
	6.2.1 Unsolicited proposal	20
	6.2.2 Tax and rates compliance	21
	6.2.3 Declarations of interest	22
	6.2.4 Invitations to submit expressions of interest or tender offers	22
	6.2.5 Publication of submissions received and the award of contracts	23
	6.2.6 Disposal committee	23
	6.3 Reporting of infrastructure delivery management information	23
7	Infrastructure procurement	24
	7.3 Payment of contractors	24
	7.4 Approval to utilise specific procurement procedures	24
	7.5 Receipt and safeguarding of submissions	24
	7.6 Opening of submissions	24
	7.7 Use of another organ of state's framework agreement	25
	7.8 Insurances	25
	7.8.1 Contractors shall be required to take out all insurances required in terms of the contract.	25
	7.9 Written reasons for actions taken	26
	7.10 Request for access to information	27



## 1 Scope

This policy establishes the *Witzenberg Municipality's* policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity

## 2 Terms, definitions and abbreviations

### 2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

**accept:** receive as adequate, valid, or suitable

**agent:** person or organization that is not an employee of *Witzenberg Municipality* that acts on the *Witzenberg Municipality's* behalf in the application of this document

**approve:** officially agree to

**authorised person:** the Accounting Officer or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

**conflict of interest:** any situation in which:

- a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,
- b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

**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

**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

**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

**gate:** a control point at the end of a process where a decision is required before proceeding to the next process or activity

**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

**gratification:** an inducement to perform an improper act

**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

**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 with an estimated value of one million Rand or more.

**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

**operation:** combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

**order:** an instruction to provide goods, services or any combination thereof under a framework agreement

**organ of state:** an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

**procurement document:** documentation used to initiate or conclude (or both) a contract or the issuing of an order

**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)

**standard:** the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

**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

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

## 3 General requirements

### 3.1 Delegations

3.1.1 The *council of Witzenberg Municipality* hereby delegates all powers and duties which are necessary to enable the *Accounting Officer* to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 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 document; 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.

## Witzenberg Municipality's SCM Policy for Infrastructure procurement and delivery management

- e) The Accounting Officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the Accounting Officer of Witzenberg Municipality.

3.1.3 The *Accounting Officer* shall for oversight purposes:

Within 60 days of the end of each financial year, submit a report on the implementation of this policy, to the council of the *Witzenberg Municipality*.

### 3.2 Objections and complaints

Will be dealt with in terms of the stipulations of the Supply Chain Policy of Witzenberg Municipality.

### 3.3 Resolution of disputes, objections, complaints and queries

Will be dealt with in terms of the stipulations of the Supply Chain Policy of Witzenberg Municipality.

## 4 Control framework for infrastructure delivery management

### 4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables	Output	Project Value
No	Name			
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		
		Accept: Relevant Director	Approved IDP	All
		Recommend: Municipal Manager		
		Council approves 5 year IDP		
1	Infrastructure planning	An infrastructure plan which identifies and prioritizes projects and packages against a forecasted budget over a period of at least three years		
		Accept: Relevant Director	Approved Budget	All
		Recommend: Municipal Manager		
		Council approves budget for MTREF		

Witzenberg Municipality's SCM Policy for Infrastructure procurement and delivery management

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables	Output	Project Value
No	Name			
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		
		Accept: Relevant Manager	Procurement Strategy / Plan	All
		Recommend : Relevant Director		
Accounting Officer approves the Procurement Strategy / Plan				
3	Pre-feasibility	A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage		
		Accept: Service Provider	Approved pre-feasibility report	Projects Above R 1 Million
		Recommend: Relevant Manager		
	Relevant Director approves the pre-feasibility report			
	Preparation and briefing (Inception)	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		
		Accept: Service Provider	Approved Inception Report	Projects Above R 1 Million
Recommend: Relevant Manager				
Relevant Director approves the pre-feasibility report				
4	Feasibility	A feasibility report which presents sufficient information to determine whether or not the project should be implemented		
		Accept: Service Provider	Approved Feasibility Report	Projects Above R 1 Million
		Recommend: Relevant Manager		
	Relevant Director approves the feasibility report			
	Concept and viability (Preliminary Design)	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		
		Accept: Service Provider	Approved Concept and viability report	Projects Above R 1 Million
Recommend: Relevant Manager				
Relevant Director approves the Concept and viability report				

Witzenberg Municipality's SCM Policy for Infrastructure procurement and delivery management

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables	Output	Project Value	
No	Name				
	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			
		Accept: Review team (not less than three people) is led by a professional engineer, professional quantity surveyor or professional architect.	Approved Concept and viability report	Projects Above R 50 Million	
		Recommend: Relevant Manager			
		Relevant Director approves the Gateway review			
5	Design development (Detailed Design)	A design development report which develops in detail the approved concept to finalize the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages			
		Accept: Service Provider	Approved Detailed Design	Projects above R 200 000	
		Recommend: Relevant Manager			
		Relevant Director approves the Detailed Design			
6	Design documentation (& Procurement)	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		
			Accept: Relevant Manager	Approved bid Document	Projects above R 200 000
			Recommend: Bid specification committee		
			Relevant Director approves the Bid document		
	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			
		Accept: Relevant Manager	Contract Award Approved Order	All	
		Recommend: Bid evaluation committee			
		Bid adjudication committee approves the bid		Projects below R 10 million	
The accounting officer approves the bid	Projects above R 10 million				

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables	Output	Project Value
No	Name			
7	Works (Contract Administration & Inspection)	The relevant manager / consulting engineer manages the contract in terms of contract conditions		
		Accept: relevant manager / consulting engineer	Minutes of site meetings, progress payment certificates and Contract Correspondence	All
		Recommend: relevant manager		
		Relevant director approves		
8	Handover	Works which have been taken over by the municipality, complete with record information		
		Accept: relevant manager / consulting engineer	Practical completion certificate & project unbundling information	All
		Recommend: relevant manager		
		Relevant director approves		
9	Package completion (Close Out)	Works with notified defects corrected, final account settled and the close out report issued		
		Accept: relevant manager / consulting engineer	Final completion certificate	All
		Recommend: relevant manager		
		Relevant director approves		

## 4.2 Gateway reviews

4.2.1 All major capital projects having an estimated capital expenditure equal to **or fifty million rand** shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable. The review shall be initiated by the organ of state which intends implementing the project. The focus of such a review shall in the first instance be on the quality of the documentation, and thereafter on:

- a) deliverability (the extent to which a project is deemed likely to deliver the expected benefits within the declared cost, time and performance envelope);
- b) affordability (the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the organisation's overall financial position, both singly and in the light of its other current and projected commitments); and
- a) value for money.

4.2.2 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. 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. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

4.2.3 The relevant treasury shall be notified of a proposed gateway review for a major capital project, three weeks prior to the conducting of such a review. 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. The relevant treasury may nominate additional persons to serve on the review team.

4.2.4 The gateway review team shall base its findings primarily on:

- a) the information contained in the end-of-stage deliverables;
- b) supplementary documentation, if any, provided by key staff obtained during an interview process; and
- c) interviews with key staff members and stakeholders.

4.2.5 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.

4.2.6 Aspects in the report shall be flagged as being:

- a) code red: team considers the aspect to pose a significant risk to the project or package;
- b) code amber: team considers the aspects which indicate a minor risk to the project or package; or
- c) code green: team considers the aspect to have been given adequate consideration to the extent that it is unlikely to jeopardise the success of progressing to the next stage, or minor adjustments may be required before proceeding.

4.2.7 The contents of the gateway review report shall be taken into account when accepting the stage 4 deliverable. A stage 4 deliverable shall not be accepted until such time that all code red risks have been addressed in the stage 4 end-of-stage deliverable.

## **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 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 shall be as follows:

- a) Bid Specification Committee 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 authorised person 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 Bid Specification Committee, Bid evaluation committee and 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.

6.1.1.1.2 The Bid 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.

6.1.1.1.3 The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer including any councilor 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 bid specification, bid evaluation or bid adjudication committee.

6.1.1.1.5 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.

6.1.1.1.6 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 Bid Specification committee

6.1.1.2.1 The *Accounting Officer* shall appoint in writing on a procurement by procurement basis:

a) the members of the bid specification committee.

6.1.1.2.2 The Bid Specification Committee shall comprise one or more persons. The chairperson shall be an employee of *Witzenberg Municipality* with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.3 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.



Witzenberg Municipality's SCM Policy for Infrastructure procurement and delivery management

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.	Council (BUDGET APPROVAL) Relevant Manager
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	Relevant director
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement documentation committee BSC and relevant director
		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	CFO (BSC)
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	Director (BEC)
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	Tender committee BAC, Accounting Officer
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Accounting Officer
		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 or delegate.

\* Applies only to goods and services not addressed in a procurement strategy developed during stage 2 (strategic resourcing) of the control framework for infrastructure delivery management

Witzenberg Municipality's SCM Policy for Infrastructure procurement and delivery management

Table 2 (continued)

Activity		Sub-Activity		Key action	Person assigned responsibility to perform key action
6	Administer contracts and confirm compliance with requirements	6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Director
		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	Director
		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	Director
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns above a the threshold	Accounting Officer
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	Accounting Officer
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	Accounting Officer

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

Activity		Key action	Person assigned responsibility to perform key action
1 FG1	Confirm justifiable reasons for selecting a framework contactor 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	<i>Relevant director or manager</i>
3 FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	<i>BSC</i>
4 FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	<i>Relevant director or manager / Approved budget</i>
6 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	<i>BAC</i>

### 6.1.1.3 Evaluation committee

6.1.1.3.1 The *Accounting Officer* shall appoint on a procurement by procurement basis in writing:

- a) the members of the bid evaluation committee.

6.1.1.3.2 The bid evaluation committee shall comprise not less than three people. The chairperson shall be an employee of *Witzenberg 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 bid evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- b) 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.

6.1.1.3.4 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 evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the *Accounting Officer* of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

### 6.1.1.4 Bid Adjudication Committee

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate:

- a) *Chief financial officer* who shall be the chairperson;
- b) *Director Technical Services*
- c) *Director Community Services*
- d) Director Corporate services
- e) Manager Supply Chain

6.1.1.4.2 No member of the evaluation committee may serve on the bid adjudication committee. A member of an evaluation committee may, however, participate in the deliberations of a Bid Adjudication committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The Bid Adjudication committee shall:

- a) consider the report and recommendations of the 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
- b) refer the report back to the evaluation committee for their reconsideration, make a reward for bids below R 10 000 000 or make a recommendation to the accounting officer on the award of a tender, with or without conditions, together with reasons for such recommendation for bids above R 10 000 000.

**6.1.1.4.4** The Bid Adjudication committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the Municipal Manager on the course of action which should be taken.

**6.1.1.4.5** The Bid Adjudication committee shall consider the merits of an unsolicited offer and make a recommendation to the Accounting Officer.

**6.1.1.4.6** The Bid Adjudication committee shall report to the *Accounting Officer* any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

**6.1.1.4.7** The Bid 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.

**6.1.1.4.8** The Bid 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 *Western Cape Treasury* shall be informed where such tenderers are disregarded.

## **6.1.2 Actions of the accounting officer relating to the award of a contract or an order**

### **6.1.2.1 Award of a contract**

**6.1.2.1** The accounting officer shall, consider the report(s) and recommendations of the Bid 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.

## **6.1.3 Conduct of those engaged in infrastructure delivery**

### **6.1.3.1 General requirements**

6.1.3.1.1 All personnel and agents of *Witzenberg 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 *Witzenberg 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) be 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 *Witzenberg 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
- 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.

6.1.3.1.2 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 *Witzenberg 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 *Witzenberg 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 *Witzenberg Municipality* proprietary information.

6.1.3.2.2 The employees and agents of *Witzenberg 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 *Witzenberg Municipality's* interest to do so, submit a tender for work associated with such documents provided that:

- a) *Witzenberg 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 *Witzenberg 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 *Witzenberg Municipality* and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 *Witzenberg 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

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect *Witzenberg Municipality's* confidential information and interests.

#### 6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of *Witzenberg 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 *Witzenberg Municipality* as well as their family members or 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 *Witzenberg 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 *Witzenberg 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; and
- e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350, they must declare these gifts to the *Accounting Officer*.

6.1.3.5.5 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.

6.1.3.5.6 Employees and agents of *Witzenberg Municipality* shall without delay report to the *Accounting Officer* 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

Employees and agents of *Witzenberg Municipality* shall promptly report to the *Accounting Officer* 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

The *Accounting Officer* 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 *Western Cape 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;
- d) 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 council 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) a 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 *Witzenberg Municipality* shall disclose particulars of an award of more than R 2 000 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

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 *Witzenberg 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 *Witzenberg Municipality* that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

The relevant manager shall prepare a report on the matter and make a recommendation to the *Accounting Officer* for placing the contractor or any of its principals under restrictions from doing business with the *Witzenberg Municipality*.

**6.1.7.2** The *Accounting Officer* 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.

**6.1.7.3** The relevant manager shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of *Witzenberg Municipality* who are engaged in procurement processes; and
- b) notify the National Treasury and relevant 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 *Witzenberg Municipality's* infrastructure delivery management system shall be addressed to the Accounting officer. Such complaints shall be in writing.

**6.1.8.2** The Accounting officer shall investigate all complaints regarding the infrastructure procurement and delivery management system and who will decide on what action to take.

### **6.2 Acquisition management**

#### **6.2.1 Unsolicited proposal**

6.2.1.1 The *Witzenberg 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 *Witzenberg 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 *Accounting Officer* finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2 The *Accounting Officer* may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender 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 *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 *Witzenberg Municipality* has obtained comments and recommendations on the offer from the National Treasury and *Western Cape Treasury*;
- c) the Bid 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 *Western Cape Treasury*; and
- d) the provisions of 6.2.1.3 are complied with.

6.2.1.3 The *Accounting Officer* shall, within 14 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 *Western Cape 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 an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS

6.2.2.1.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.2.1.

6.2.2.1.3 Notwithstanding the requirements of 6.2.2.1 and 6.2.2.3 the following shall apply, unless a person who is not tax compliant indicates to the Accounting officer that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;

- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- c) 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;
- d) before authorising a further payment due to a non-compliant contractor who has failed to 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.

6.2.2.1.4 The *Witzenberg Municipality* may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).

#### 6.2.2.2 Municipal rates and taxes

No contract may be awarded to a tenderer who, or 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.

#### 6.2.3 Declarations of interest

Tenders 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 *Witzenberg 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 *Witzenberg Municipality's* website and on the National Treasury eTender Publication Portal. Advertisements shall be placed by the Supply Chain Management department.

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 in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by the Supply Chain Management department.

6.2.4.3 Where deemed appropriate by the Bid Specification Committee 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. Advertisements shall be placed by the Supply Chain Management department.

6.2.4.4 Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the *Accounting Officer*.

6.2.4.5 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 Supply Chain Management department 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 or municipal entity's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.5.2 The Supply Chain Management department shall publish within 7 working days of the award of a contract the following on the *Witzenberg 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.

6.2.5.3 the Supply Chain Management department shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by the Supply Chain Management department.

6.2.5.4 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 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by the Supply Chain Management department.

## 6.2.6 Disposal committee

6.2.6.1 The *Accounting Officer* shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of *Witzenberg Municipality*.

6.2.6.3 The disposal committee shall make recommendations to *Accounting Officer* 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.

## 6.3 Reporting of infrastructure delivery management information

The Manager: Supply Chain Management and relevant technical expert shall submit any reports required in terms of the standard to the National Treasury or *Western Cape Treasury*.

## **7 Infrastructure procurement**

7.2.1 The *Witzenberg Municipality's* preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by the Accounting Officer prior to being issued for tender purposes.

7.2.2 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.

7.2.3 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 Payment of contractors**

The *Witzenberg Municipality* shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

### **7.4 Approval to utilise specific procurement procedures**

7.4.1 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 Accounting Officer shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) The Accounting Officer 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 proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure.

7.4.2 The person authorised to pursue a negotiated procedure in an emergency is *[designated person]*.

### **7.5 Receipt and safeguarding of submissions**

7.5.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.

### **7.6 Opening of submissions**

7.6.1 Submissions shall be opened by an opening panel comprising two people nominated by the chief financial officer who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.6.2 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.

**7.6.3** 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 7.6.2h).

**7.6.4** Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

**7.6.5** Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

## **7.7 Use of another organ of state's framework agreement**

The *Witzenberg 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. The *Accounting Officer* shall make the necessary application to that organ of state to do so.

## **7.8 Insurances**

**7.8.1** Contractors shall be required to take out all insurances required in terms of the contract.

**7.8.2** 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 Accounting Officer.

**7.8.3** 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: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million other R3,0 million

7.8.4 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 Bid Specification Committee

7.8.5 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.

7.8.6 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 *Bid Specification Committee* in relation to the nature of the service that they provide.

7.8.6 Witzenberg *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.

7.8.7 Where payment is to be made in multiple currencies, either the contractor or *Witzenberg 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.

## 7.9 Written reasons for actions taken

7.9.1 Written reasons for actions taken shall be provided by the relevant manager.

7.9.2 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- 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*;

as to why a tenderer was not considered for the award of a contract or not awarded a contract.



**7.9.3** 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.

#### **7.10 Request for access to information**

**7.10.1** 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 *Witzenberg 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 *Witzenberg Municipality's*.

**7.10.2 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. Access to a bill of quantities and rates should be provided in terms of the Act.



## **LONG-TERM FINANCIAL PLAN POLICY**

Date of implementation 01 July 2013

# LONG-TERM FINANCIAL PLAN POLICY

<b>Contents</b>	<b>Page No</b>
1. DEFINITIONS AND ABBREVIATIONS .....	2
2. INTRODUCTION .....	3
3. PROBLEM STATEMENT .....	3
4. PURPOSE.....	3
5. GUIDING PRINCIPLES.....	3
6. ROLE PLAYERS AND STAKEHOLDERS .....	4
7. REGULATORY CONTEXT .....	7
8. POLICY DIRECTIVE DETAILS.....	8
9. EVALUATION AND REVIEW.....	9

## 1. DEFINITIONS AND ABBREVIATIONS

“**basic municipal service**” means a 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 or the environment;

“**BSC**” means Budget Steering Committee, a committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA;

“**budget-related policy**” means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or

the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

“**IDP**” means the Integrated Development Plan;

“**LTFP**” means Long Term Financial Plan;

“**long-term debt**” means debt repayable over a period exceeding one year;

“**MBRR**” means the Municipal Budget and Reporting Regulations;

“**MFMA**” means the Municipal Finance Management Act No 56 of 2003;

“**MTREF**” means Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years;

“**Municipality**” means Witzenberg Municipality;

“**municipal tariff**” means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“**municipal tax**” means property rates or other taxes, levies or duties that a municipality may impose;

“**National Treasury**” means the National Treasury established by section 5 of the Public Finance Management Act.

“**Short Term**” refers to a period up to 3 (three) years

“**Medium Term**” refers to a period between 3 (three) and 5 (five) years

“**Long Term**” refers to any period longer than 5 (five) years

## 2. INTRODUCTION

- 2.1. The Local Government: Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) has instituted various financial reform measures. Sound financial management practices have been identified as essential to the long-term sustainability of municipalities. In this regard the MFMA necessitates that municipality's must have a policy related the Long Term Financial Plan (hereafter LTFP).
- 2.2. A municipality's financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan (hereafter IDP). It provides guidance for the development of current budgets and assesses financial impacts on outer years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.
- 2.3. The Municipality has developed a financial model that aims to determine the appropriate mix of parameters and assumptions within which the municipality should operate to facilitate budgets which are affordable and sustainable at least 10 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the municipality's operational budget.

## 3. PROBLEM STATEMENT

- 3.1. Preceding the inception of the MFMA municipal budgets usually catered for immediate demands with little or no view to future needs or the future consequences of particular decisions. This poor planning practice fragmented the sustainability of municipal budgets.

## 4. PURPOSE

- 4.1. The policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology thereby ensuring long-term financial affordability and sustainability.

## 5. GUIDING PRINCIPLES

- 5.1. The policy is based on the following principles:-
  - 5.1.1. Future financial sustainability;
  - 5.1.2. Optimal collection of revenue, taking into consideration the socio economic environment;
  - 5.1.3. Optimal utilisation of grant funding;
  - 5.1.4. Continuous improvement and expansion in service delivery framework, and
  - 5.1.5. Prudent financial strategies.

## 6. ROLE PLAYERS AND STAKEHOLDERS

The following role players will ensure that the LTFP is implemented in accordance with the prescribed legislative requirements and Council processes.

- 6.1. Budget Office
  - 6.1.1. Responsible for the preparation and the compilation of the LTFP;
  - 6.1.2. Responsible for overall oversight;
  - 6.1.3. Present long term financial plan outcome to the Budget Steering Committee;
  - 6.1.4. Review Policy and Strategy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.
- 6.2. Directorates and Departments
  - 6.2.1. Responsible for providing reasons on past performance outcomes
  - 6.2.2. Responsible for providing information to Budget Office to update the financial plan;
  - 6.2.3. Required to identify revenue and expenditure plans for both operating and capital budgets for at least 3 years.
  - 6.2.4. Required to make recommendations on future service delivery matters.
- 6.3. Budget Steering Committee

- 6.3.1. Responsible for providing strategic guidance on matters relevant to the long term financial plan
- 6.3.2. Responsible for endorsing the projected MTREF assumptions and parameters contemplated by the LTFP.

## 7. REGULATORY CONTEXT

- 7.1. Section 17 (3) of the MFMA states that “when an annual budget is tabled it must be accompanied by amongst other “any proposed amendments to the budget-related policies of the municipality”.
- 7.2. Section 21 of the MFMA states that the mayor of a municipality must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for, amongst other:
  - (i) The preparation, tabling and approval of the annual budget;
  - (ii) the annual review of—
    - (aa) the integrated development plan in terms of section 34 of the Municipal Systems Act; and
    - (bb) the budget-related policies;
  - (iii) The tabling and adoption of any amendments to the IDP and the budget-related policies; and
  - (iv) any consultative processes forming part of the processes referred to in subparagraphs (i), (ii) and (iii).
- 7.3. Section 7 (1) of the Local Government: Municipal Finance Management Act, 2003, Municipal Budget and Reporting Regulations, 2009 (hereafter MBRR) states that:
 

“the Municipal Manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or any or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21 (1) (b) of the MFMA”.
- 7.4. Section 7 (1) reference (1) of the MBRR, further states that “as defined in section 1 of the MFMA. Policies that affect or are affected by the annual budget of a municipality include .... “(g) A policy related to the long term financial plan”.
- 7.5. Section 4 (1) of the MBRR states “that the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA”.
- 7.6. Section 26 (h) of the Local Government: Municipal Systems Act 32 of 2000 (hereafter the MSA) states that “An Integrated Development Plan must reflect a financial plan, which must include a budget projection for at least the next three years”.

## 8. POLICY DIRECTIVE DETAILS

- 8.1. Financial strategies
  - 8.1.1. An intrinsic feature of the LTFP is to give effect to the Municipality's financial strategies. These strategies include:
    - 8.1.1.1. Increasing funding for asset maintenance and renewal;
    - 8.1.1.2. Continuous improvement to the financial position;
    - 8.1.1.3. Ensuring affordable debt levels to fund the capital budget;
    - 8.1.1.4. Maintaining fair, equitable and affordable rates and tariff increase;
    - 8.1.1.5. Maintaining or improving basic municipal services;
    - 8.1.1.6. Achieving and maintaining a breakeven/surplus Operating budget; and
    - 8.1.1.7. Ensuring full cost recovery for the provision of internal services.
- 8.2. Non – financial strategies
  - 8.2.1. The LTFP is a key component for achieving the goals listed in the IDP of the Municipality. The LTFP must consider the following non – financial strategic strategies:
    - 8.2.1.1. The Municipality's Strategic Focus Areas;
    - 8.2.1.2. Infrastructure led growth strategies; and
    - 8.2.1.3. The Municipality's Spatial Development Framework.
- 8.3. Preparation of the LTFP
  - 8.3.1. The LTFP process should commence by latest June of each year.
  - 8.3.2. The LTFP should consider the fiscal overview by reviewing past financial performance, projection of long-term financial outlook and financing and funding arrangements. The following matters should be considered annually:
    - 8.3.2.1. Revising the long-term financial plan for events that may have impacted during the recent past;

- 8.3.2.2. Assessing the outcomes and achievements of the past few years financial performance as per the audited financial statements;
  - 8.3.2.3. Reviewing the financial objective and assumptions;
  - 8.3.2.4. Reviewing the past and summarise long term financial outlook;
  - 8.3.2.5. Assess the current overall financial position and liquidity situation;
  - 8.3.2.6. Identify any financial challenges and constraints;
  - 8.3.2.7. Identifying strategies to deal with the challenges, and to maintain financial viability and capacity to sustain services;
  - 8.3.2.8. Identify overall funding mix and implications for own revenue and external funding; and
  - 8.3.2.9. Assess compliance with the MFMA and other relevant legislation etc.
- 8.3.3. The LTFP is prepared in an uncertain environment it is therefore required to make certain assumptions on the following internal and external factors:
- 8.3.3.1. Reviewing the external factors (population migration, employment, health, development of businesses, and new residential areas, etc.);
  - 8.3.3.2. General inflation outlook and its impact on the municipal activities;
  - 8.3.3.3. Credit rating outlook;
  - 8.3.3.4. Interest rates for borrowing and investment of funds;
  - 8.3.3.5. Rates, tariffs, charges and timing of revenue collection;
  - 8.3.3.6. Growth or decline in tax base of the municipality;
  - 8.3.3.7. Collection rates for each revenue source;
  - 8.3.3.8. Price movements on specifics e.g. bulk purchases of water and electricity, fuel etc.;
  - 8.3.3.9. Average salary increases;
  - 8.3.3.10. Industrial relations climate, reorganisation and capacity building;
  - 8.3.3.11. Trends in population and households (growth, decline, stable);
  - 8.3.3.12. Changing demand characteristics (demand for services);
  - 8.3.3.13. Trends in demand for free or subsidised basic services;
  - 8.3.3.14. Impact of national, provincial and local policies;
  - 8.3.3.15. Ability of the municipality to spend and deliver on the programmes; and
  - 8.3.3.16. Implications of restructuring and other major events into the future.
- 8.3.4. Intergovernmental fiscal transfers/allocations from National and Provincial government play a pivotal role in the finances of the Municipality. The following unconditional transfers/allocations must be considered, as a minimum, when projecting the budget:
- 8.3.4.1. Local Government Equitable Share;
  - 8.3.4.2. Grants related to the provision of Provincial government functions.
- 8.4. The Municipality's LTFP model and scenario planning
- 8.4.1. The Municipality financial model gives effect to the LTFP. It enables the forecasting of the operating and capital budgets for at least 10 years into the future. The model embodies National Treasury's budget preparation guidelines, drawing on assumptions and parameters to forecast the operating budget.
  - 8.4.2. Strategic initiatives should be prioritised and quantified to be included in the financial model.
  - 8.4.3. The financial forecasting model must be updated using the fiscal overview, assumption and intergovernmental fiscal transfers/allocations information to identify immediate opportunities and/or risks.
  - 8.4.4. The medium and long-term financial viability should be evaluated.
  - 8.4.5. Reiterative scenario planning should be executed to ensure optimum use of resources to cater for strategic initiatives.
  - 8.4.6. To identify the optimum balance between revenue collection and municipal spending the following should be taken into account:
    - 8.4.6.1. The impact each scenario has on the financial sustainability and affordability of the Municipality;
    - 8.4.6.2. Whether scenarios are realistic in terms of revenue projections;
    - 8.4.6.3. Potential revenue enhancement strategies which may have a long-term impact on the revenue base of the Municipality;
    - 8.4.6.4. Potential cost saving mechanisms related to strategic initiatives; and
    - 8.4.6.5. The impact of infrastructure investments and maintenance programs on future revenue streams.
  - 8.4.7. Presentations on scenarios should be presented to the BSC as may be requested.
  - 8.4.8. BSC should endorse the final MTREF scenario inclusive of assumptions and parameters annually by latest January.

- 8.5. The annual updated LTFP should identify the following:
  - 8.5.1. Assumptions and parameters to be used to compile the Operating and Capital budgets over the next MTREF;
  - 8.5.2. Future Operating revenue and expenditure projections based on assumptions and parameters;
  - 8.5.3. Future affordability of projected Capital Plans
  - 8.5.4. The level of infrastructure development required to achieve the
  - 8.5.5. Municipal priorities, within the funding restrictions; and
  - 8.5.6. External funding requirements in respect of long term debt.
- 8.6. Implementation of the LTFP
  - 8.6.1. The annual updated LTFP should provide the parameters and assumptions for the compilation of the operating and capital budgets for the next MTREF.
  - 8.6.2. This information should be provided to the Operating and Capital budget departments by latest January of each year.

## 9. EVALUATION AND REVIEW

- 9.1. This policy shall be implemented once approved by Council.
- 9.2. In terms of section 17(1) (e) of the MFMA this policy must be reviewed on an annual basis
- 9.3. Changes in financial strategy, non – financial strategic strategies and legislation must be taken into account for future amendments to this policy.
- 9.4. Any amendments must be tabled to Council for approval as part of the budget process.



# TRANSPORT- TRAVEL- AND SUBSISTENCE ALLOWANCE FOR COUNCILLORS AND EMPLOYEES OF WITZENBERG MUNICIPALITY

This policy applies to all Councillors and employees of Witzenberg Municipality who are travelling on official business.

## 1. Glossary

“accommodation allowance”	an amount payable to a Councillor or an employee for expenses incurred in respect of overnight accommodation, meals and incidental costs (e.g. refreshments). This allowance is intended for unusual circumstances which fall outside of the employee’s or Councillor’s normal daily course.
“incidental costs”	private telephone calls, refreshments, service charges and gratuities.
“meals”	breakfast and /or lunch and /or dinner.
“miscellaneous expenses”	laundrying, bus fares, taxi fares, parking- & toll fees, and expenses not specified.
“representative”	A Councillor or an employee who is duly authorised to represent the Municipality in terms of the delegated powers of the Council.
“senior manager”	an employee appointed in terms of Section 56 of the Municipal Systems Act (Act no. 32 of 2000).

## 2. Transport Allowance

### 2.1. Councillors

An travelling allowance of not more than 25% of the annual total remuneration package of a councillor concerned as determined in terms of Remuneration Of Public Office Bearers Act of 1998 may be included as part of the total package of the councillor.

### 2.2. Municipal Manager and Senior Managers

The Municipal Manager and Senior Managers shall be required to utilise their own motor vehicle when they is required to travel for purposes relating to their employment and may therefore structure their total cost of employment to provide for a car allowance for tax purposes.

### 2.3. Other qualifying employees: Fixed Travelling Allowance Scheme (Perk scheme)

All applications for a Transport Allowance shall require the approval of the Municipal Manager. The monthly transport allowance of other qualifying employees will be determined according to their task levels:

T LEVEL	New Transport Allowance	Current Transport Allowance
T 14	R 9,000	R 8,330
T 15	R 10,000	R 8.330
T 16	R 11,000	R 8,330 – 10,925 Higher amounts – personal to incumbent.
T 17+	R 12,000	R 8.330

The monthly allowance will increase with 50% of the annual salary increase as agreed upon by the Bargaining Council from 1 July 2017.

## 2.4. Essential User Transport Allowance

The Essential User Transportation Scheme is paid to employees who need transport to perform duties as an alternative to the provision of official transport.

To be eligible for a regular transport allowance an employee should for six consecutive months in the form prescribed keep record of official trips taken with private vehicles by keeping at least information about the date, route, distance and reason and authorization for each trip. During the six months the employee will be paid an ad hoc monthly transport allowance calculated by multiplying the official distance travelled (limited to 1 166km) by the sum of the fixed and running cost of the relevant vehicle. At the end of six months a reported should be submitted to the municipal manager for consideration of the award of a regular transport allowance based on the average monthly distance travelled for official purposes within the Witzenberg Municipal area..

All applications for an Essential User Transport Allowance including the type of vehicle shall require the approval of the Municipal Manager. Admission to and participation in the scheme is determined on the basis of the need for transportation for official purposes.

The fixed monthly allowance is based on average distance travelled over 6 months. The maximum fixed monthly distance is 1 166 km per month. If the municipal manager approves a monthly distance of more than 1 166 km in special circumstances only the running cost will be payable for the distance in excess of 1 166 km.

If records of distances travelled over a period of six months are not available a log book must be kept and the employee will be paid for the actual official distances travelled to a maximum of 1 166 km per month.

The cost per kilometre is determined as per the following table and will be amended with the annual budget process:<sup>1</sup>

<b>FIXED COST</b>		
<b>NORM</b>	<b>R 170 000</b>	<b>R 250 000</b>
<b>CAPACITY</b>	<b>1400cc - 1600cc</b>	<b>2000cc</b>
<b>TYPE</b>	<b>Sedan</b>	<b>LDV</b>
<b>FINANCING</b>	<b>R 43 350</b>	<b>R 63 750</b>
<b>INSURANCE</b>	<b>R 9 100</b>	<b>R 11 000</b>
<b>TOTAL</b>	<b>R 52 450</b>	<b>R 74 750</b>
<b>÷ANNUAL DISTANCE</b>	<b>14 000 km</b>	<b>14 000 km</b>
<b>Cent/km</b>	<b>380c</b>	<b>540c</b>
<b>RUNNING COST</b>		
<b>Cent/km</b>	<b>190c</b>	<b>200c</b>

The employer or employee can terminate participation in this scheme with six months' notice.

<sup>1</sup> Recommended for amendment

### 3. Travelling expenses

3.1. In the consideration of expenditure the most practical and economical mode of transport must be used, after all the factors have been considered by the Municipal Manager or his/her nominee, provided that such consideration does not exceed whatever is listed hereunder.

#### 3.2. Airfares

Economy class airfares shall be paid plus vehicle rental in the Class A category. In cases of emergency and where no booking for economy class or a Class A vehicle is available, the Municipal Manager or his nominee may authorise that Business Class or any other vehicle class tariffs may be paid.

#### 3.3. Travelling expenses

Travelling expenses shall only be paid to a representative or in the case of an employee where he/she uses private transport to undertake a trip on behalf of the Municipality.

Every trip by an employee must have the prior authorisation of the employee's senior manager.

3.3.1. Reimbursement of travelling expenses to destinations outside of the Municipality's jurisdictional area, shall be payable to employees who participate in the **Fixed Travelling Allowance Scheme (Perk scheme)** as per kilometres measured from the employee's location or place of residence, whichever is the shortest. The tariff per kilometre is R 2.00.

The running cost will increase with 50% of the annual salary increase as agreed upon by the Bargaining Council from 1 July 2017.

3.3.2. Reimbursement of travelling expenses to destinations outside of the Municipality's jurisdictional area, shall be payable to Employees who participate in the **Essential User Transportation Scheme** as per kilometres measured from the employee's location or place of residence, whichever is the shortest. The tariff per kilometre will be according to the running cost of the scheme.

3.3.3. Employees who are not part of any Transportation Scheme shall be reimbursed for actual kilometres travelled from their place of residence or from his/her location during office hours in accordance with Section 8(1)(b) of the Income Tax Act and in conjunction with the prescribed tariffs per kilometre for employees not travelling more than 8 000 kilometres per annum.

3.3.4. Travelling expense reimbursements **for Councillors, the Municipal Manager and other senior managers** shall be dealt with as follows:

3.3.4.1. Destinations outside of the Municipality's area of jurisdiction:

Councillors, the Municipal Manager and other senior managers shall be reimbursed for the actual kilometres travelled in accordance with the tariffs of the Department of Transport.

3.3.4.2. Destinations within the Municipality's area of jurisdiction:

3.3.4.2.1. The Municipal Manager and other senior managers shall not receive any reimbursement for actual kilometres travelled within the

Municipality's area of jurisdiction, insofar as such travelling expenses have already been factored into their total reimbursement package.

- 3.3.4.2.2. Councillors shall be reimbursed in accordance with the Act on Public Office Bearers subject to the business kilometre limits as stipulated in the Act.
- 3.3.4.2.3. Where a councillor wishes to claim for kilometres travelled over and above the limit as stipulated in the Act referred to in (b) supra, such claim must be accompanied by a travel log of all the kilometres travelled. This travel log should at least include a starting- and finishing kilometre reading per trip, as well as defining the purpose of the trip. The reimbursement for the kilometres travelled over and above the limit, shall be paid in accordance with the tariffs of the Department of Transport.
- 3.3.5. A person who elects to make use of private transport to attend a meeting, congress or seminar, and where the travelling costs would be more than airfare, shall be paid the cash equivalent of an Economy Class air ticket based on a seven (7) day advance booking, with the proviso that the subsistence costs shall only be paid for a period not longer than would have been applicable in the case of air travel.
- 3.3.6. Where at all possible, more than one (1) person shall make use of the same vehicular transport, and only the owner or the driver of the vehicle is entitled to claim the applicable travelling allowance as defined in 3.3.1 to 3.3.5. Every endeavour should be made to utilize the mode of transport that is the most economical.
- 3.3.7. Where an employee who participates in the Essential User Transportation Scheme or the Fixed Travelling Allowance Scheme travels to the very same destination as Councillors or other employees, then such Councillors and employees shall endeavour to travel with the employee who is in receipt of the said travelling allowance.
- 3.3.8. Where an employee will be travelling beyond a radius of 200 kilometres from his location or place of residence, he may claim an advance payment equal to the estimated kilometres multiplied by the applicable tariff. Upon return to his location, the employee shall submit a final claim so that the adjustment between the advance payment and the actual claim can be settled once-off.

#### **4. Subsistence Costs**

The accommodation allowance is divided into two categories, namely overnight allowance and day allowance.

##### **4.1. Overnight allowance**

An overnight allowance shall be paid to a representative who travels to a destination outside of the municipal area for a period of 24 hours or longer or any portion thereof after the first 24 hours.

A distinction is made between travelling within and travelling outside of the boundaries of the Republic of South Africa.

The following are the limits in respect of allowances and actual expenditure:

##### **4.1.1. Accommodation**

- 4.1.1.1. Accommodation expenses, both within as well as outside of the boundaries of South Africa:
- 4.1.1.2. The actual expenditure in respect of accommodation shall be paid by the Municipality, provided that this expenditure does not exceed the day tariff as determined by Council during its budget process.
- 4.1.1.3. Only the actual expense incurred by the representative shall be paid. In the event where the representative is accompanied by his/her spouse, the representative shall be responsible for the difference between the single tariff and the double tariff of the relevant institution.
- 4.1.1.4. The costs for the representative's spouse as referred to in 4.1.1.2 must be paid to the Municipality in advance if such costs have to be paid in together with that of the representative.
- 4.1.1.5. Where the tariff as mentioned in 4.1.1.1 is exceeded, the prior approval of the Municipal Manager or his nominee has to be obtained.

**4.1.2. Meals and incidental expenses within the boundaries of the Republic of South Africa:**

- 4.1.2.1. The allowance payable shall be equal to the "Meals and Incidental Costs"-tariff as determined and amended by the South African Revenue Services in terms of Section 8(1)(c) of the Income Tax Act, and is deemed non-taxable. The allowance paid shall be deemed as the actual expenditure by the representative.

Actual expenditure incurred for meals excluding alcoholic refreshment may be claimed provided that this expenditure does not exceed the day tariff as determined by Council during its budget process.

- 4.1.2.2. In the event where all the meals are included with the accommodation and/or supplied during the conference, meeting or seminar, the tariff for incidental expenses will apply. This tariff is equal to the tariff defined as "Only Incidental Expenses" as determined and amended by the South African Revenue Services in accordance with Section 8(1)(c) of the Income Tax Act, and is deemed non-taxable.
- 4.1.2.3. In the event where certain meals are included with the accommodation or supplied during the conference, meeting or seminar, the accommodation allowance shall be reduced proportionately as follows:

The difference between the tariffs as determined in 2.1.2.1 and 2.1.2.2 shall be divided into three equal parts and shall be reduced by the number of meals provided, irrespective of whether the representative made use of the meals or not, plus the tariff as referred to in 2.1.2.2.

- 4.1.2.4. In the event where the purpose of the expense is to facilitate training, all tariffs payable in terms of 2.1.2.1, 2.1.2.2 and 2.1.2.3 may be claimed in advance with the prior approval of an authorised official within the Human Resources Section.
- 4.1.2.5. In the event where the representative is unable to make use of the meals provided due to religious convictions or allergies, the reimbursement for alternative meals shall be dealt with on an ad hoc basis, with the authorization of the Municipal Manager or his nominee.

#### **4.1.3. Meals and incidental expenses outside of the boundaries of the Republic of South Africa:**

- 4.1.3.1. The maximum tariff payable shall be equal to the tariff defined as "Meals and Incidental Costs in the Republic" as determined and amended by the South African Revenue Services in terms of Section 8(1)(c) of the Income Tax Act, and is deemed non-taxable.
- 4.1.3.2. The payment of the tariff shall be deemed as actual expenditure by the representative, for which no formal proof of expenditure is required, and is payable irrespective of whether meals were provided or not.
- 4.1.3.3. The tariff payable in terms of 2.1.3.1 may be claimed in advance with the prior approval of the Municipal Manager. In the case of the Municipal manager the prior approval must be given by the Executive Mayor.
- 4.1.3.4. In the event where all the meals are included with the accommodation and/or supplied during the conference, meeting or seminar, the tariff for incidental expenses is payable subject to paragraph 2.1.3.8.
- 4.1.3.5. This tariff is equal to the tariff defined as "Only Incidental Expenses" as determined and amended by the South African Revenue Services in accordance with Section 8(1)(c) of the Income Tax Act, and is deemed non-taxable.
- 4.1.3.6. In the event where certain meals are included with the accommodation or supplied during the conference, meeting or seminar, the accommodation allowance shall be reduced proportionately as follows:
- 4.1.3.7. The difference between the tariff defined as "Only Incidental Expenses" and the tariff known as "Meals and Incidental Costs" shall be divided into three equal parts and shall be reduced by the number of meals provided, irrespective of whether the representative made use of the meals or not.
- 4.1.3.8. Incidental expenses is only due where the recipient is obliged to spend at least one night away from his or her usual place of residence.

#### **4.1.4. Miscellaneous Expenses:**

- 4.1.4.1. The actual expenditure in respect of laundry (excluding dry cleaning), bus fares and taxi fares, parking fees and toll fees, shall be paid by the Municipality upon proof of payment, both within as well as outside of the boundaries of the Republic of South Africa, and the expenditure shall be linked to the exchange rate, where applicable.
- 4.1.4.2. Communication Expenses:
  - 4.1.4.2.1. All expenses incurred within the Republic's boundaries, shall be dealt with in terms of the Cell Phone Policy, as amended.
  - 4.1.4.2.2. The cost of any calls made or received by the representative outside of the boundaries of the Republic, shall be paid at the actual cost of all official calls.

## **5. Reimbursement for applicants who attend interviews.**

### 5.1. Accommodation expenses

- 5.1.1. The actual cost of the accommodation, including the cost of meals, as arranged by the Municipality.

### 5.2. Travelling expenses

- 5.2.1. Travelling expenses shall be dealt with according to the guideline in paragraph 3.1, and in the event of the applicant making use of private transport, the tariff per actual kilometres travelled will apply, as outlined in paragraph 3.3.3. Where a hired vehicle is used to transport the applicant from the airport, the actual cost of a hired vehicle with the engine capacity of 1300cc to 1500cc shall be paid.
- 5.2.2. Where the applicant has to make use of air travel to attend an interview, the actual cost as defined in par 3.2 shall be paid.
- 5.2.3. Travelling expenses shall be paid only for applicants who reside within the boundaries of the Republic of South Africa.

## **6. Claims**

For a claim to be processed for payment, the following documentary proof must be handed in to the Directorate: Finance:

- 6.1. In the case of an employee, the representative's attendance must be authorised by the Municipal Manager or his nominee in terms of the delegation of authority.
- 6.2. In the case of a senior manager, his/her attendance must be authorised by the Municipal Manager.
- 6.3. In the case of Councillors or the Municipal Manager, their attendance must be authorised by the Executive Mayor, in consultation with the Municipal Manager.
- 6.4. In the case of the Executive Mayor, his/her attendance must be authorised by the Municipal Manager.
- 6.5. A properly completed official claim form (attached as annexure 6.5) must be handed in, having been signed by an official who is duly authorised to approve expenses.
- 6.6. Supporting documentation in the form of invoices for overnight allowances in terms of miscellaneous expenses and communication expenses. (the latter being applicable only to overseas trips).
- 6.7. All claims to be processed must be handed in to the Directorate: Finance not later than 10 working days after the journey has been undertaken or a longer period approved by the Director Finance.

## **7. Commencement date**

The implementation date of this policy be affective from 1 July 2016 irrespective the date of approval.

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<b>WITZENBERG LOCAL MUNICIPALITY CLAIM FOR TRAVEL- AND SUBSISTENCE ALLOWANCE</b>	
Claimant:	
Reason for visit:	
Town visited:	

<b>Travel and Subsistence allowance</b>					
DEPARTURE		ARRIVAL		TOTAL	
Date	Time	Date	Time	Days	Hours
Day allowance:					R
Vehicle	cc	Kilometres	@	R	

<b>Travel allowance for candidates attending interviews (in terms of item 4)</b>				
Vehicle	cc	Kilometres	@	R
Rail ticket				R
Air ticket & vehicle rental				R
Accommodation expense				R

<b>Incidental expenses, subject to proof of expenses</b>	
Sundry expenses	R
Sundry expenses	R
Sundry expenses	R
Sundry expenses	R
Communication expenses (outside the borders of RSA)	

TOTAL	R
-------	---

.....  
DATE

.....  
SIGNATURE OF CLAIMANT

.....  
DATE

.....  
AUTHORISED OFFICIAL

.....  
VOTE NUMBER





# WITZENBERG

Municipality • Munisipaliteit • UMasipala Wase



## **POST-EMPLOYMENT MEDICAL AID CONTRIBUTION POLICY**

Reviewed by Council 30/05/2017

Adopted by Council 26/07/2016

## **POST-EMPLOYMENT MEDICAL AID CONTRIBUTION POLICY**

### 1. **Purpose**

The purpose of this policy is to determine guidelines for the:

- 1.1 Management of contributions to medical aids, post-employment.
- 1.2 Determine whether an employee is entitled to the post-employment medical aid benefit.

### 2. **Definitions**

- 2.1 **Approved medical aid:** A medical aid approved by the Bargaining Council.
- 2.2 **Bargaining Council:** The South African Local Government Bargaining Council.
- 2.3 **Medical disability:** Employees not able to continue with employment due to medical reasons with proof from medical practitioners.
- 2.4 **Normal retirement age:** The retirement age for the purpose of this policy is set at 60 years.<sup>1</sup>
- 2.5 **Qualifying dependants:** Legally married spouse and dependent children below the age of 21.

### 3. **Object of the policy**

To ensure a transparent, accountable and sustainable manner to assist qualifying employees access of post-employment health care benefits.

### 4. **Qualifying employees**

- 4.1 An employee retiring at normal retirement age, with at least 10 years' service and who was a member of an approved medical aid for at least the last 5 years before retirement.
- 4.2 An employee retiring within 5 years of normal retirement age, with at least 20 years' service, and who was a member of an approved medical aid for at least the last 5 years before retirement.
- 4.3 An employee leaving employment due to health reasons with at least 5 years' service and who was a member of an approved medical aid for at least the last year before retirement.
- 4.4 An employee not capable to continue employment due to injury on duty and who was a member of an approved medical aid for at least the last year before medical retirement.
- 4.5 An employee who did not have a medical condition that resulted in the medical boarding at date of appointment.
- 4.6 An employee retiring at normal retirement age who was in the employment of the municipality at the date of implementation of this policy and who was a

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<sup>1</sup> Amended by Council 30/05/2017

member of an approved medical aid for at least the last 5 years before retirement.

4.7 The qualifying dependants of an employee if the employee passed while in service and the employee and his qualifying dependants were members of an approved medical aid.<sup>2</sup>

4.8 The qualifying dependants of an employee will be entitled to the benefits even after the passing of the employee after retirement.<sup>3</sup>

## 5. **Limit of benefit**

The benefit will be limited to the smaller of:

5.1 The maximum amount applicable to in-service members as agreed on at the Bargaining Council.

5.2 70 % of the total contribution payable to an approved medical aid scheme in respect of the employee and his/her qualifying dependants.

## 6. **Payment of benefit**

6.1 The municipality will only be responsible to pay the employer's contribution over to the relevant medical aid. The employee must make his/her own arrangements to pay his/her contribution to the medical aid.

6.2 If the employee fails to pay his/her contribution to the medical aid the contribution payable by the municipality can be stopped.

## 7. **Cancellation of benefit**

The benefit in terms of this policy may be terminated:

7.1 If the beneficiary is still economically active (Employed by another entity or self-employed.)

7.2 If the beneficiary is in arrears for three months or longer with his contribution to the medical aid.

7.3 The Municipal Manager may consider the continuation of the benefit on receipt of a motivated application.

## 8. **Transitional arrangements**

8.1 Existing beneficiaries of the post-employment medical scheme will retain their current benefit until 31 December 2017 when they can choose more affordable options from their medical schemes.

8.2 The future benefit of existing beneficiaries whose current benefit is more than the benefit as per paragraph 5.1 will receive the larger of the current benefit and the benefit as per paragraph 5.1, but limited to the amount as per paragraph 5.2.

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<sup>2</sup> Amended by Council 30/05/2017

<sup>3</sup> Amended by Council 30/05/2017



# ***WITZENBERG MUNICIPALITY***

## **CAPITAL INFRASTRUCTURE INVESTMENT POLICY**

## TABLE OF CONTENTS

1. DEFINITIONS	3
2. INTRODUCTION	4
3. PURPOSE	4
4. GUIDING PRINCIPLES	4
5. NEW CAPITAL INFRASTRUCTURE INVESTMENT	4
6. REFURBISHMENT & SIGNIFICANT INFRASTRUCTURE MAINTENANCE PROJECTS	5
7. FUNDING OF CAPITAL INFRASTRUCTURE INVESTMENTS	6
8. INFRASTRUCTURE BUDGETING	6
9. IMPLEMENTATION & REVIEW OF THIS POLICY	6

## 1. DEFINITIONS

**“Asset”** means a tangible or intangible resource capable of ownership.

**“Capital Asset”** means:-

- (a) Any immovable asset such as land, property or buildings; or
- (b) Any moveable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social economic benefit can be derived, such as plant, machinery and equipment.

**“Capital Expenditure (CAPEX)”** means expenditure used to create new assets or to increase the capacity of existing assets.

**“Carrying Value”** means the Cost less Accumulated Depreciation of an Asset.

**“Infrastructure Assets”** includes all core assets which are integral to the delivery of municipal services, including water supply, sanitation, road transport and storm water drainage, solid waste removal, electricity supply, and community facilities. In terms of GRAP, it includes all immovable Property, Plant and Equipment (PPE), as well as specific immovable assets such as vehicles that are directly used in the delivery of the service (such as waste removal trucks). It excludes intangible assets (such as licenses, software, etc.) and current assets (ones with a life less than 12 months, such as consumables).

**“Infrastructure Asset Management Plan (IAM)”** means a plan developed for the management of Infrastructure Assets with the aim of providing specified levels of service in a cost-effective manner, now and in the future. Multi-disciplinary management techniques (including technical and financial) are combined to determine the aggregated asset life-cycle needs. A significant component of the plan is a long-term cash-flow.

**“Infrastructure Asset Management Policy”** means a formal statement adopted by Council that indicates the municipality's policy objective, the policy principles, and how these will be pursued (including the establishment of an IAM Team, and aligned systems and planning).

**“Infrastructure Asset Management Strategy”** means a document that defines key IAM processes and targets including the definition of Consumer Groups and Service Catchments; Service Performance Standards and targets that accommodate the municipality's vision of future growth and demand; interaction and coordination measures; AMS functionality and data standards; risk management processes; IAM practice improvement processes; a funding and prioritisation strategy; and allocation of responsibility for implementation.

**“Operation”** relates to running the service e.g. record keeping, accounting, monitoring, complaints and repairs.

**“Maintenance”** means the actions required for an asset to achieve its expected useful life and ensuring that the asset functions efficiently for the whole of its Expected Useful Life. Maintenance can be planned or unplanned. Planned Maintenance includes measures to prevent known failure modes and can be time or condition-based. Repairs are a form of unplanned maintenance to restore an asset to its previous condition after failure or damage. Expenses on maintenance are considered operational expenditure.

## 2. INTRODUCTION

2.1 This policy aims to describe the process through which the Municipality can initiate projects of a capital nature. It ultimately aims to serve as a principal instrument to steer the budget for Infrastructure and Capital projects in the Municipality around a particular agreeable and sustainable developmental path.

2.2 This policy is mandated by section 8 of the Local Government: Municipal Budget and Reporting Regulations.

## 3. PURPOSE

3.1 This policy sets out the process and methodology for capital investment of any nature, regardless of the funding source. The following investments of a capital infrastructure nature fall within the ambit of this policy:

- 3.1.1 New building construction or acquisitions;
- 3.1.2 Extensions to existing buildings;
- 3.1.3 Upgrades to accommodation and housing, other than those projects relating to low cost housing;
- 3.1.4 Land acquisitions;
- 3.1.5 All major capital works, as covered within the Asset Maintenance / Life-Cycle Management Policy;
- 3.1.6 All infrastructure developments; and
- 3.1.7 Information and communication infrastructure renewals and/or upgrades;

## 4. GUIDING PRINCIPLES

4.1. The Capital Infrastructure Investment Policy is based on the following principles:-

- 4.1.1 Need as identified within the IDP, underpinned by the Municipal Capital Investment Program and National Spatial Development Perspective;
- 4.1.2 Necessity to fulfil the service delivery mandate as identified within the Asset Maintenance / Life-Cycle Management Policy; and
- 4.1.3 Affordability.

## 5. NEW CAPITAL INFRASTRUCTURE INVESTMENT

5.1 New infrastructure development may only be entered into if:-

- 5.1.1 The project is in line with the Municipality's IDP;
- 5.1.2 Funding has been secured through either internal or external funding mechanisms and has been approved in the Municipality's Capital Budget; and
- 5.1.3 A detailed life-cycle funding plan has been developed, supported and integrated into the Asset Maintenance / Life –Cycle Management Policy;

5.2. All new infrastructure investments will be subject to:-

- 5.2.1 Needs analysis based on:-
  - i. Service delivery sustainability;
  - ii. Consumer growth projections which are in line with the National and Regional Spatial Development Growth Perspectives; and
  - iii. National, Regional and Municipal strategic directives.
- 5.2.2 Strategic project plan, including:-

- i. A holistic overview of the direct benefits, risks and impact of the intended project;
  - ii. An assessment on the impact of current Infrastructure;
  - iii. A service delivery framework relevant to the project;
  - iv. A cost assessment, detailing the capital and maintenance cost projections for the entire life-cycle; and
  - v. A funding model, detailing the financing source and associated cost, if any, as well as any revenue projections associated with the project.
- 5.2.3 Outcome of stakeholder consultation, including:-
- i. Environmental impact studies; and
  - ii. Feedback from community participation process, with specific focus on:-
    - Rights and entitlements of members of the community; and
    - impact on quality of life.
- 5.2.4 Implementation model, detailing:-
- i. Relevant skills base and source of skills required for implementation; and
  - ii. Specific timeframes for each activity throughout the project lifecycle (cradle to grave approach).

## 6. REFURBISHMENT AND SIGNIFICANT INFRASTRUCTURE MAINTENANCE PROJECTS

6.1 All Capital Infrastructure refurbishment and significant maintenance projects may only be entered into if:

- 6.1.1 The project is in line with the Municipality's IDP or emergency maintenance framework;
- 6.1.2 Funding has been secured through either internal or external funding mechanisms and has been approved in the Municipality's Capital Budget; and
- 6.1.3 A detailed life-cycle funding plan has been developed, supported and integrated into the Asset Maintenance / Life –Cycle Management Policy.

6.2 All refurbishments and significant infrastructure maintenance projects will be subject to:-

- 6.2.1 Needs analysis based on:-
  - i. Service delivery sustainability; and
  - ii. Asset redundancy and failure assessment of the asset under scrutiny.
- 6.2.2 Strategic project plan, including:-
  - i. A holistic overview of the direct benefits, risks and impact of the intended refurbishment project;
  - ii. An assessment on the potential impact of unavailability of the asset during the refurbishment process, including redundancy measures;
  - iii. A service delivery framework relevant to the project;
  - iv. A cost assessment, detailing the capital and maintenance cost projections for the entire life-cycle; and
  - v. A funding model, detailing the financing source and associated cost, if any, as well as any revenue projections associated with the project.
- 6.2.3 Outcome of stakeholder consultation, including:-
  - i. Environmental impact studies; and
  - ii. Feedback from community participation process, with specific focus on;
    - Rights and entitlements of members of the community; and
    - Impact on quality of life;
- 6.2.4 Implementation model, detailing:-
  - i. Relevant skills base and source of skills required for implementation; and
  - ii. Specific timeframes for each activity throughout the project lifecycle (cradle to grave approach).



## 7. FUNDING OF CAPITAL INFRASTRUCTURE INVESTMENTS

7.1 All new Capital Infrastructure Investments may be funded from:-

- 7.1.1 Cash backed accumulated surpluses;
- 7.1.2 Borrowings;
- 7.1.3 Government grants and subsidies;
- 7.1.4 Public donations and contributions;
- 7.1.5 PPP initiatives in line with the MFMA PPE regulations; and
- 7.1.6 Operating Revenue.

7.2 All refurbishment and significant infrastructure maintenance projects may be funded from:-

- 7.2.1 Cash backed accumulated surpluses;
- 7.2.2 Borrowings in respect of refurbishment;
- 7.2.3 Government grants and subsidies in accordance with their relevant conditions; and
- 7.2.4 Operating Revenue.

## 8. INFRASTRUCTURE BUDGETING

- 8.1 The on-going renewal of Infrastructure Assets should be approximately 1.0 % of the Carrying Value of the Assets.
- 8.2 On-going Repairs and Maintenance of Infrastructure Assets should be at the very least 2.0 % of the Carrying Value of the Assets.

## 9. IMPLEMENTATION & REVIEW OF THIS POLICY

- 9.1 This policy shall be implemented once approved by Council.
- 9.2 In terms of section 17(1)(e) of the MFMA this policy must be reviewed on a regular basis as deemed necessary and the reviewed policy tabled to Council for approval as part of the budget process.