

Annexure A
Budget Related
Policies

BERGRIVIER

Munisipaliteit / Municipality



ASSET MANAGEMENT POLICY

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1. INTRODUCTION

This policy is designed to assist the management and officials of the Bergriver Municipality with the procedures to manage Property, Plant and Equipment (PPE), Investment Property, Heritage Assets, and Intangible Assets. It is also intended to distinguish between activities acceptable in terms of general approval, supervisory responsibilities, and limits of authority over the management of assets and functions of the organization.

The policy provides certainty of asset management processes undertaken within the organisation and will ensure that management and officials understand their legal and managerial responsibilities with regard to assets.

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

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

Non-compliance with this policy will result in disciplinary actions, in terms of the Human Resource Policy and procedures of the Municipality.

2. GOAL

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

- Accurate accounting and recording of relevant asset information;
- Accurate accounting and recording of asset movements;
- Exercise strict physical control over all assets;
- Correct accounting treatment in the Municipality's financial statements;
- Provide accurate and meaningful management information;
- Compliance with Council's accounting policies and Generally Recognised Accounting Practice;
- Sufficient assurance of assets;
- Sufficient maintenance of the municipal assets;
- Ensure that managers are aware of their roles and responsibilities regarding assets; and
- Set out management standards, accounting principles, and internal controls for the safeguarding of assets from losses and damages.

3. STATUTORY FRAMEWORK

The statutory framework for this policy is:

- The Constitution of the Republic of South Africa, 1996;
- Municipal Structures Act, No. 117 of 1998;
- Municipal Systems Act, No. 32 of 2000;
- Municipal Finance Management Act, No. 56 of 2003
- Regulation No. 31346 of 2008; (Asset Transfer Regulations)
- Municipal Supply Chain Management Regulations No. 27636;
- Generally Recognized Accounting Practice.

4. ACCOUNTING STANDARDS

This document represents a policy formulation and will not take precedence over the standards specified by the Accounting Standards Board. The relevant accounting standards include:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 3 – Accounting Policies, Change in Accounting Estimates and Errors
- GRAP 5 – Borrowing Cost
- GRAP 13 - Leases.
- GRAP 16 - Investment property;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 21 - Impairment of Non-cash generating assets;
- GRAP 26 – Impairment of Cash-generating assets;
- GRAP 31 – Intangible Assets;
- GRAP 32 – Service Concession Arrangements: Grantor
- GRAP 100 - Discontinued Operations;
- GRAP 101 – Agriculture; and
- GRAP 103 – Heritage Assets.
- Directive 7 – The application of Deemed Cost

Other relevant accounting standards are:

- GRAP 12 – Inventory; and
- GRAP 11 – Construction contracts.

5. DEFINITIONS

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

"Active market" is a market in which all the following circumstances must be present:

- The assets which are traded in the market are homogeneous;
- A willing buyer and willing seller can normally exist at any given time; and
- Prices are available to the public.

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

"Other Assets" – are defined as assets utilised in normal operations. Examples are plant, property and equipment, motor vehicles and furniture and fittings.

"Asset Manager" is any official to whom the responsibility has been delegated and who needs to account for the control, use, physical and financial management of the Municipality's assets, in terms of the municipality's standards, policies, procedures and relevant guidelines.

"Asset Register" is the record keeping of information on each asset that supports the effective financial and technical management of the assets and which complies with statutory requirements.

"Assets" are resources controlled by the Municipality as a result of historical events and of which it is expected that future economic benefits or potential service will result. Therefore, for the purpose of this policy, assets exclude inventory and other monetary assets.

"Investment property" – is defined as property (land or a building or part of a building or both) owned (by the owner or the tenant within a lease) to earn rent or for economic and capital gain or both, unlike for:

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

"Manager" is any senior manager and every municipal official exercising financial management responsibilities.

"Fair Value" – is the amount for which assets can be exchanged between knowledgeable, willing parties in an arm's length transaction.

"Biological Asset" is a live animal or plant.

"Biological Transformation" comprises the process of growth, degeneration, production and procreation that causes qualitative and quantitative changes to a biological asset.

"Useful Life" – is:

- the period of 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.

"Service Provider" –

- (a) with regards to a municipal service, means a private sector party or organ of state is appointed by a municipality, in terms of Section 8 of the MSA, to perform a municipal service in accordance with the Act; or
- (b) with regards to a commercial service, a private sector party or organ of state, appointed by the municipality or municipal entity in terms of the supply chain policy to perform a commercial service to or for the municipality or entity, as an independent contractor.

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

"Carry amount" is the amount at which an asset is included in the financial statements after deducting any accumulated depreciation and accumulated impairments.

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

- are held by the municipality for use in the production or provision of goods or services, for rentals to others, or for administrative purposes; and
- are expected to have a useful life extending more than one reporting period (12 months).

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

"Depreciate replacement costs", with regards to capital assets, means the cost of replacing the capital asset on the date of transfer, adjusted by the accumulated depreciate cost on the date of transfer taking place taking into account the condition and age of the assets.

"Community assets" – are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

"GRAP" are Standards of Generally Recognized Accounting Practice.

"Historical Cost" means the original purchase price or cost of acquisition of capital assets at the time of acquiring the asset.

"Chief Financial Officer" means an official of the municipality designated by the Municipal Manager to be administratively in charge of the budget and treasury functions.

"Infrastructure assets" – is defined as any asset that is part of a network or similar assets. Examples are roads, water purification networks, sewage purification networks, highways, transport terminals and parking areas.

"Class of plant, property and equipment" means a grouping of assets of a similar nature or function in a municipality's operations, which are 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) Provided by a private sector party or organ of state to or for a municipality or municipal entity on a commercial basis; and
- (b) Purchased by the municipality or municipal entity through the supply chain management policy.

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

"Agricultural Activity" is the management by the municipality of the biological transformation of biological assets for sale, in agricultural produce, or in additional assets.

"Agricultural Produce" is the harvested product of the entity's biological assets.

"Municipality" means the Berg River Municipality.

"Municipal Valuation" means the official valuation of an immovable property as indicated in the Municipality's valuation roll.

"Intangible assets" – are identifiable assets without physical substance.

"Transfer", means with regards to a capital or sub asset, the transfer of ownership as a result of sales or other transactions.

"Impairment Loss of Cash generating assets" – is the amount by which the carrying amount of the asset exceeds the recoverable amount.

"Impairment Loss of Non-cash generating assets" – is the amount by which the carrying amount of assets exceeds the recoverable service amount.

"Right to utilise, control and manage" means the right to use, control or manage the capital asset for a period longer than one calendar month, without transferring ownership of the asset. In other words, where such a right does not result in the transfer or permanent alienation of the asset, for example, when a right has been obtained through a lease, letting or lease agreement.

"Accounting officer" means the Municipal Manager appointed in terms of Section 82 of the Local Authority: Municipal Structures Act, 1998 (Act 117 of 1998) and in charge of the administration and accounting responsibilities in terms of Section 60 of the Local Authority: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Residual value" is the net amount that the municipality expects to obtain from an asset at the end of its useful life, after deducting the estimated cost of disposal, if the assets have already reached the age and expected condition at the end of the usable lifetime.

"Realisable Value" means the amount of cash or cash equivalents that currently can be obtained by transferring the capital assets, less the estimated cost of completion and the estimated cost of transferring the asset.

"Senior Manager" is a manager referred to in Section 57 of the Municipal Systems Act (MSA) and who is somebody that reports directly to the Municipal Manager.

"Recoverable Amount" – is the highest of the cash-generating asset's sale price and the future value in use.

"Recoverable service amount" is the highest of a non-cash generating asset's fair value minus the cost to sell and the future value in use.

"Alienation", in connection with capital assets, includes –

- (a) The breakdown, demolition or destruction of the capital assets; or
- (b) Any other process applied to capital assets resulting in the loss in ownership of the capital assets, other than by transfer of ownership.

"Alienation Management System" means the system considered in regulation 40 of the Municipal Supply Chain Management Regulations, published by General Notice No. 868 of 2005.

"Improvement/Rehabilitation" is an improvement or change of an existing asset beyond its originally recognized service potential, for example usable lifetime, capacity, quality and functionality.

"Supply chain management policy" means the supply chain management policy of the municipality or municipal entity must have in terms of Chapter 11 of the Act.

"Depreciation" – is the systematic allocation of the depreciable amount of an asset over its useful lifetime.

6. BACKGROUND

The acquisition and management of PPE, investment property, intangible assets, heritage assets and agricultural assets is the primary mechanism by which the Municipality can fulfil its constitutional mandate for: -

- Delivery of sustainable services;
- Social and economic development;
- Promoting a safe and healthy environment; And
- Fulfilling the basic needs of the community.

The Municipality has a legislative and moral duty to ensure that policies are implemented to ensure the effective and efficient use of assets over their useful lifetime.

The asset management policy deals with municipal rules required to ensure the enforcement of appropriate stewardship over assets. Stewardship has three components namely:-

- Management, utilisation and control by the Municipal Officials;

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- Physical administration by the Chief Financial Officer; And
 - Physical administration by the Manager: Assets.

Statutory provisions are implemented to protect public property against arbitrary and poor management or disposal by the local authority.

Accounting standards have been approved by the Accounting Standards Board (ASB) to ensure the proper financial treatment of property, plant and equipment, investment property, intangible assets, heritage assets and agricultural assets. The requirements of these new accounting standards include-

- Preparation of asset registers that include all assets controlled by the Municipality.
- Accounting treatment such as acquisition, disposals, disclosure, and depreciation/amortization of assets.
- Financial treatment should comply with the latest accounting standards.

7. DELEGATION OF DUTIES

This policy should be applied taking into account the Municipality's policy regarding delegated powers. Such powers refer to delegations between the Municipal Manager and other responsible officials as well as between Council and the Executive Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be done in writing.

In accordance with the Local Authority: Municipal Finance Management Act (Act 56 of 2003) (MFMA), the Municipal Manager is the accounting officer of the Municipality and therefore all municipal officials must report to him/her. The Municipal Manager is therefore responsible for all transactions performed by his/her delegates.

The overall responsibility of asset management rests with the Municipal Manager, although day-to-day management of assets should be the responsibility of all officials in terms of written delegation of duties.

8. RESPONSIBILITY

Municipal Manager

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

- The Municipality has a management, accounting and information system that will account for and maintain the assets of the Municipality.
- The Municipality's assets are valued in terms of GRAP.
- The Municipality has a system of internal control over assets, including an asset register, updated and maintained.
- Senior executives and other officials adhere to this policy.

Chief Financial Officer

The Chief Financial Officer must ensure that-

- Suitable financial management systems and internal control established and conscientious be executed.
- The financial and other sources of the Municipality is issued to him/her effectively, economically, and efficiently.
- Any unauthorised, irregular, fruitless or wasteful expenditure and losses resulting from criminal or negligent conduct are prevented.

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- 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 that the Municipality's financial resources are utilised optimally through appropriate asset planning, budgeting, purchase, maintenance and disposal decisions.
 - The Municipal Manager was appropriately advised on the exercise of powers and duties in respect of the financial administration of assets.
 - The managers and senior management teams are appropriately advised on exercising their powers and duties in respect of the financial administration of assets.

Senior Managers

The Senior Managers must ensure that:

- Appropriate systems are established and executed for physical management and control of assets in their area of responsibility.
- The Municipal resources allocated to him/her are effectively, economically and efficiently being used.
- The assets under their control are properly secured and maintained to the point of the required level and that risk management systems exist and are maintained.
- Any unauthorised, irregular, fruitless or wasteful expenditure and losses resulting from criminal or negligent conduct are prevented.
- Their management systems and controls provide accurate, reliable and up-to-date information of assets under their control.
- Their plans, budgeting, procurement, maintenance and disposal decisions regarding assets can be justified and the Municipality's strategic Goals are optimally achieved.
- The purchase of assets complies with all municipal policies and procedures.
- All assets have been accounted for and identified and inspected before it is received in their care.
- All moveable assets received into their stewardship are appropriately safeguarded against inappropriate use or loss. This will include control over the physical access to these assets and regular stock takes to ensure that no losses have occurred. Any known losses should be immediately reported to the Chief Financial Officer.
- Assets are used appropriately for the purpose as intended by the municipality.

The Senior Manager may delegate or otherwise assign responsibility to others to perform these functions, but they will remain responsible for ensuring that these activities are carried out.

9. FINANCIAL MANAGEMENT

Planning before Acquisition of Assets

When a capital project is included in the budget and before it can be implemented, the relevant manager must submit the following to Council for consideration:

- The estimated cost of the project over all the financial years until the project is operational;
- The future operating costs and revenues of the project including the tax and tariff implications;
- The future operational costs and revenue of the project, including tax and tariff implications;
- The physical and financial relationship of the asset during all stages of its lifespan, including procurement, installation, maintenance, operation, disposal and rehabilitation;

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- The inclusion of the capital project in the Integrated Development Plan (GOP) and future budgets; And
 - Alternatives to the capital purchase.

The Chief Financial Officer is responsible for ensuring that all possible assistance, guidance and explanations are provided to the heads of the relevant departments so that he/she will be able to meet his planning requirements.

Approval to Acquire Assets

Funds can only be spent on a project, if:

- The allocated funds were in an approved capital budget;
- The project, including the total cost, was approved by Council;
- The Chief Financial Officer confirms that funding is available for the project; and
- Any contract that will cause financial obligations for more than two years after the budget period has been properly disclosed.
- The Supply Chain Management Policy has been complied with.

Approval for the purchase of assets will be made in terms of the Municipality's delegation of powers and the payment for the purchase of assets will be made in consultation with the financial policies and regulations of the Municipality.

Funding of Assets

The Chief Financial Officer will, within the municipality's ongoing financial, legal or administrative capacity, establish and maintain funding strategies that will optimise the municipality's ability to achieve the strategic objectives set out in the Integrated Development Plan. The purchase of assets will not be funded over a period that exceeds the useful life of the asset.

Types of funding sources may include:

- External loans;
- Government awards;
- Public contributions and donations;
- Finance leases;
- Capital Replacement Reserve; And
- Surplus cash.

Disposal of Assets

In terms of Section 14 of the MFMA, the Municipality may not transfer ownership as a result of sales or other transaction or otherwise permanently alienating assets required for the delivery of the minimum level of basic municipal services, unless such asset is superfluous, surplus to requirements, cannot be fixed or replaced with the proviso that the minimum level of basic municipal services is not disadvantaged with the sale of the asset.

Council delegates the power to approve the disposal of vehicles with an estimated carrying amount of less than R100 000 (one hundred thousand rand) and other movable assets with an estimated carrying amount of less than R20 000 (twenty thousand rand), to the Municipal Manager. (RB 666 08/02/2012) If the carrying value is above the said amounts, the Municipality may transfer or otherwise dispose of ownership, except in the above case, but only after the approval of Council in a meeting open to the public:

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- On reasonable grounds, it decided that the asset was not required for the delivery of basic municipal services;
 - Considered the fair market value of the asset and considered the economic and community value that will be received in exchange for the asset.

The decision of whether a specific asset is not required for the delivery of a basic municipal service may not be revoked by the Municipality after the asset has been sold, transferred or otherwise disposed of.

In compliance with principles and directives of the MFMA, the transfer of ownership of any PPE item will be fair, equal, transparent, competitive and consistent with the Municipality's Supply Chain Management Policy and the Municipality's Municipal Asset Transfer Regulations. The transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these directives with the proviso that the transfer be made in terms of a prescribed legal framework.

Each Head of Department shall report in writing to the Chief Financial Officer, on/before 31 October of each financial year, on all assets under their control or used, which they wish to dispose off, through public auction or public tender.

The Chief Financial Officer will subsequently consolidate all requests received from the various departments and will briefly report the consolidated information to Council or the Municipal Manager of the Municipality, whatever the case may be, suggesting the disposal process to be followed.

When the assets are disposed of, the Chief Financial Officer will deal with the disposal of the items in terms of GRAP and adjust the relevant records of the Asset Register. If the proceeds of the disposal are less than the carrying amount indicated in the Asset Register, such a difference must be recognised as a loss in the Statement of Financial Performance of the relevant department.

All assets earmarked for write-off must be sold by public auction or tender after the following steps have been taken:

- a notice of the intention of the municipality to sell the asset has been published in the local press;
- the municipality has appointed an independent valuer in the event of tender sales to establish a minimum sale price;
- in the event of a public auction, the municipality appointed an independent auctioneer to observe the auction; And
- in the case of a public tender the prescribed tender procedures have been complied with.

Loss, Theft, Destruction, or Impairment of Assets

Every Manager must ensure that any case of loss, theft, destruction or material permanent impairment of assets under his/her control or used by the relevant department is promptly reported in writing to the Chief Financial Officer, internal auditor and in cases of suspected theft or intentional damage to the South African Police Service.

10. INTERNAL CONTROLS

Asset Register

The Chief Financial Officer will establish and maintain an Asset Register that summarizes all important data relating to each item of Property, Plant and Equipment, Investment Properties, Intangible Assets, Heritage Assets and Agricultural Assets that meet the criteria of recognition.

The asset register will be kept in the format established by the Chief Financial Officer, and must comply with the requirements of GRAP and any other accounting requirements that may have been prescribed.

The asset register should contain the following information as far as possible:

- A brief but meaningful description of each asset;
- The date on which the asset was acquired or taken on;
- The location of the asset;
- The responsible manager and department(s) or post(s) within which the assets will be used;
- The title deed number, in the case of property;
- The erf number, in the case of property;
- Measurement approach (Cost Model or Fair value);
- The original estimated useful life;
- The revised estimated useful life;
- The residual value;
- The revised residual value;
- The original cost or the revalued amount or the fair value if no charges are available;
- The (last) revaluation date of the assets yet to be valued;
- The revaluation value of those assets;
- Who made the (last) revaluation;
- Accumulated depreciation to date;
- The depreciation charge for the current financial year;
- The carrying amount of the asset;
- Depreciation method;
- Impairments that occurred during the financial year (and the reversal of impairments where applicable);
- Method by which recoverable amount was calculated (when impairment is required in terms of GRAP);
- Increases or decreases due to revaluation (if applicable);
- The source of funding;
- Condition of the asset;
- The current insurance arrangements/agreement;
- Whether the asset is required to provide basic municipal services;
- Whether the asset was used as security for any debt and if so, its nature and period;
- Security arrangements;
- The date on which the asset was disposed of;
- The selling price;
- The date on which the asset retired from service, if not disposed.

All heads of department under whose control any asset is will briefly provide any information required to compile the asset register in writing to the Chief Financial Officer and will also notify the Chief Financial Officer in writing of any material change that may take place in relation to that information.

An asset will be capitalised, thus recorded in the asset register, as soon as it is acquired. If the asset is erected over a period of time, it will be recorded as work-in-process until it is available for use after which it is appropriately capitalised as a fixed asset. An asset will remain in the

asset register for as long as it exists physically. The fact that an asset is fully depreciated is not solely a reason to remove it from the Asset Register.

Asset Register related controls must be sufficient to provide Senior Managers with an accurate, reliable and up-to-date review of assets under their control in terms of standards established by the Chief Financial Officer and in terms of the relevant legislation and other requirements.

These controls should include the following:

- Information on physical management;
- Accounting of all acquisitions, movements, transfers, losses and disposals of assets;
- Regular physical asset counts; and
- System audits to confirm the accuracy of the records.

The Chief Financial Officer must establish a system that ensures that all movable assets have been provided with a unique identification number/barcode that will be incorporated into the asset register.

The Senior Managers must ensure that the approved asset identification system is carefully applied to all assets under their control or in use by the relevant department.

11. PHYSICAL CONTROLS AND MANAGEMENT

The responsibility of the Asset Control division

- The Asset Control Division will undertake the annual asset count as part of their annual reporting process.

The date of purchase

- The date of purchase is deemed to be the time when the ownership passes to the Municipality. This may differ between the different asset classes but will usually be the point at which the asset is commissioned or when the final payment for the item has been approved.

Transfers between Managers

Permanent Transfer to Other Manager

A manager may transfer an asset under his control provided that another Senior Manager accepts written responsibility for the asset. Copies of such approvals must be handed over to the Financial Services Department.

The Financial Services Department must adjust the Asset Register for all such approved transfers.

The Manager to whom the asset is transferred must accept responsibility for the transferred asset from a date specified in the above communication.

A manager must ensure that the assets are insured against loss, damage or abuse, wherever the asset is located. Protection includes ensuring reasonable physical limitations.

Shifting or Redeployment of Assets

A manager must notify the Chief Financial Officer in writing when an asset has been moved or re-deployed from its location or cost center as recorded in the Asset Register.

In the case of assets such as vehicles used under normal operations away from its base, this reporting is not required.

Verification of Assets

Each Manager, in conjunction with the Asset Control Division, will perform a physical verification of assets on an annual basis.

The results of the verification will be reported to the Chief Financial Officer in a format as prescribed by the Chief Financial Officer.

The annual verification will be made as close as possible to year-end and the report must reach the Chief Financial Officer not later than 30 June.

Insurance of Assets

The Municipal Manager must ensure that all movable assets are at least insured against fire and theft and municipal buildings and infrastructure have been insured against fire and natural disasters.

The Municipal Manager must decide, after consultation with the Chief Financial Officer, on a basis of insurance coverage that may be either the carrying amount or replacement value of the assets. The recommendation will have to take into account the Municipality's budget resources.

12. MANAGING AND OPERATING ASSETS

Responsibility for managing assets

Every Senior Manager is responsible for ensuring that municipal resources allocated to them are effectively, efficiently, economically and transparently used. These include:

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

Content of a strategic management plan

Senior Managers must 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 Managers must develop strategic asset management plans that cover the following:-

- Comparison with the IDP;
- Industry guidelines;
- Performance monitoring;
- Maintenance programs;
- Renewal, renovation and replacement plans;
- Disposal and Rehabilitation plans;
- Operational, financial and capital support requirements; And
- Risk management plans, including insurance strategies.

The operating budget is the short- to medium-term plan for implementing this strategic asset management plan.

Reporting emerging issues

Every Functional Manager should report issues, which significantly affect the asset's abilities to achieve the required level of service or economic benefit, to the Municipal Manager.

13. CLASSIFICATION AND COMPONENTS OF ASSETS

Classification of Assets

Any asset recognised as an asset in terms of this policy will be classified in terms of nationally recognised categories.

These categories are determined by the Accounting Standards Board.

All assets must be classified under the following headings in the Asset Register:

13.1 Property, Plant and Equipment (PPE)

- Land and Buildings (not held as investment assets).
- Infrastructure assets (assets that are part of a network of similar assets).
- Community assets (assets contributing to the general well-being of the community).
- Other assets (normal operational assets).
- Leased Assets

13.2 Investment property

- Land
- Buildings

13.3 Intangible Assets

- Computer Software

13.4 Agricultural Assets

13.5 Heritage Assets

13.6 Service Concession Assets

Optional Treatment of Material Components

A manager must, with the approval of the Chief Financial Officer, deal with material components of an item of property, plant and equipment as a separate asset for the purposes of this policy.

These material components may be defined by its physical characteristics or its financial values.

When considered for approval, the Manager must be satisfied that the components

- Has a different useful life or usage pattern than that of the main asset.
- Align with the asset management plans;
- Justify the cost of separate identification;
- Probable future economic benefits or potential service delivery will flow from the asset to the Municipality;

- Costs can be reliably measured;
- Controlled by the municipality; And
- Will be used for more than one financial use.

All such decisions and agreements must be confirmed before the beginning of the financial year and must be submitted for approval along with the budget. Any amendments will only be allowed as part of the budget review (i.e. once or twice throughout the year).

When a material component has been recognised as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.

14. ACCOUNTING OF ASSETS

Recognition of Assets

An item of property, plant and equipment will be recognised as an asset when:

- It is likely that future economic benefit or potential service delivery will flow from the asset to the Municipality;
- The cost of the asset can be reliably measured;
- The municipality has control over the asset; And
- It is expected that the asset will be used for more than one financial year.

Initial Measurement

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

- Cost price;
- Delivery costs;
- Installation costs;
- Professional fees;
- Site development costs;
- Contractor fees;
- Import duties;
- Taxes that cannot be claimed back (e.g. VAT on passenger vehicles).

Items consumed within 12 months

The following list of items is approved to only be purchased via the operational/capital vote for expenditure and these will not be barcoded, but on a inventory list.

Description	Description	Description
3G or similar Internet Dongles	Guillotine	Pots and pans
Back Support	Hat and Coat Stand	Punch
Battery	Heaters	Small kitchen Appliance scales kettles mixer bowls
Binder	Kitchen utensils	Stamps
Buddy-systems	Ladders	Staplers
Calculator	Laptop bags	Tape measure
External Harddrives	Loose standing power supply	Towel, paper, aerosol dispensers
Fans	Mat/Carpet or floor protectors (beneath chairs)	Trolleys, Vacuum cleaners, Wall clocks
Fire Extinguisher	Mops and Mop buckets	Water Despensers

First Aid Kit	Post boxes and similar document storage solutions	Wheelborrows
Foot rests	Pots and pans	Visitors Chairs.

Donations and Exchanges

When an item of property, plant and equipment has been acquired at no cost or at a nominal cost, it will initially be measured at its fair value on the date of acquisition and included in the Asset Register.

Borrowing Cost

Borrowing cost are interest and other expenses incurred by the Municipality in connection with the borrowing of funds. Borrowing cost that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

Carrying amount of Assets

After initial recognition as an asset, an item of property, plant and equipment will be carried at its cost minus accumulated depreciation and accumulated impairments.

Depreciation and Amortisation

All PPE excluding land, work-in-process and heritage assets, will be depreciated or amortised, in the case of intangible assets.

Depreciation and amortisation are defined as the monetary quantification of the extent to which PPE and Intangible Assets are used in the provision of economic benefits or the delivery of services.

The depreciable amount of an asset is determined after the residual value of the asset has been deducted. In practice, the residual value is usually not material.

When the standard handling has been accepted and the residual value is likely to be material, the residual value is estimated on the date of purchase. The estimated amount is based on the amount the municipality would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset was already of age and in a condition expected at the end of its useful life.

The depreciation expenditure for each period will be recognised as an expense in the operating budget of each Department.

The depreciation method used will reflect the expected pattern by which the asset's future economic benefits or service delivery potential reduces the value of the asset.

Different depreciation methods can be used to write-off the amount in a systematic manner over the useful lifetime of the asset. The methods include the following:

- Straight-line method;
- Diminishing method; and
- Sum of production units method.

Straight-line depreciation causes a constant expense over the estimated lifetime of the asset if the residual value does not change.

The reduced balance method causes a declining expense over the useful lifetime of the asset.

The sum of production units method causes an expense based on the expected use or output.

The method of depreciation is constantly applied from period to period unless there has been a change in the expected pattern of use of future economic benefits or service delivery potential.

The straight-line method is used unless otherwise agreed in writing with the Chief Financial Officer.

Depreciation is calculated from the day the asset was available for use.

Each Head of Department, in consultation with the Chief Financial Officer, will ensure that reasonable provision is made annually in the budget for the depreciation and amortisation of all applicable PPE or Intangible Assets controlled or used by the department or expected to be controlled or used during the next financial year.

Initial Determination of Useful Lifespan

The Chief Financial Officer must determine the economic useful life (EUL) of a specific asset or class of assets through the development of a strategic asset management plan. The determination of the economic useful life should be included as part of any pre-purchase planning that will consider, among other things, the following factors:

- The program that optimizes the long-term costs of owning the asset;
- Economic redundancies because they are too expensive to maintain;
- Functional redundancies because they no longer meet the municipality's needs;
- Technical redundancies;
- Social redundancies due to changing demographics; and
- Legal redundancies due to statutory provisions.

A schedule of useful lives is attached as Appendix A. It can only serve as a guideline, because real useful lives may differ drastically from these recommended useful lives.

In the case where an item of PPE or Intangible Asset is not listed in the appendix, the relevant Head of Department in consultation with Chief Financial Officer must determine the useful life of the asset. They will be guided in determining the useful life by the pattern by which the item's economic benefits or service potential will be consumed.

Parts specifically purchased for an asset or class of assets during the initial purchase of the asset, and which will become redundant if an asset or class of assets retire, or the asset or class of assets' use is discontinued, must be considered to form part of the historical cost of that asset or class of assets. The depreciable amount of the parts will be written off over the same lifespan as the asset or class of assets.

Review of Useful Lives and Residual value

Only the Chief Financial Officer in consultation with the relevant Manager may determine or adjust the useful life or residual value of an asset.

The Chief Financial Officer will adjust the useful life or residual value of any asset if it becomes known that the asset had a substantial impairment, was not properly maintained, to such an extent that the expected lifespan of the asset will not be achieved, or any other incident that has occurred that has a material impact on the pattern by which the asset's economic benefits or service delivery potential is consumed.

If the value of any item of PPE or an intangible asset is reduced to such an extent that it has no or an insignificant useful operating life, the item will be fully depreciated or scrapped in the financial year in which the impairment occurred.

In accordance with, if any item of PPE has been lost, stolen or damaged to such an extent that it cannot be repaired, the item(s) will be fully depreciated in the financial year in which the event occurred. If the item physically no longer exists, it will be written off in the asset register.

In all the above cases, the additional depreciation expenses will be debited against the department account that controls or uses the item of PPE or intangible assets.

Additional depreciation that was not budgeted for, due to unforeseen or unavoidable expenses, must be provided in an amended budget. If such circumstances arise near the end of the financial year and there is no time for Council to consider the amendments before the end of the financial year, a Mayor may approve the amendments in terms of Section 29 of the MFMA, with the proviso that any other provisions of the MFMA be complied with.

Revision of the Depreciation Method

The depreciation method appropriate for each class of assets must be reviewed annually and if there is a material change in the expected pattern of economic benefits or service delivery potential of those assets, the method must be adjusted to reflect that change.

When such change in depreciation method is necessary, the change must be treated as a change in accounting estimate and the depreciation expenditure of current and future periods must be adjusted.

Subsequent Expenses

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

All other expenses will be treated as an expense in the period in which it occurred.

Before approving the capitalisation of subsequent expenses, the Chief Financial Officer must be satisfied that the expense is a material:

- Increase in the lifespan of the asset will result above what is indicated in the Asset Register; or
- Increase in the quality of service rendered above the current level of service delivery; or
- Increase in the amount of services the asset can provide; Or
- Decrease in the future expected maintenance costs of the asset.

Expenses considered for capitalisation must also meet the recognition criteria of assets and must be appropriately included in the capital budget.

Impairment losses

The carrying amount of an asset or group of identical items of Property, Plant and Equipment, Investment Properties and Intangible Assets must be periodically reviewed in order to determine whether the recoverable amount has not fallen to an amount that is lower than the carrying amount.

The recoverable amount is the amount the municipality expects to recover from the future use of the asset including its residual value with disposal. When such a drop has occurred, the carrying amount should be reduced to the recoverable amount. The amount of this impairment will be immediately recognised as an expense in the Statement of Financial Performance. If this is a reversal of a previous revaluation, the revaluation reserve will be reduced.

The recoverable amount of individual assets or groups of identical assets is calculated separately and the carrying amount is reduced to the recoverable amount of the individual asset or group of identical assets, base. However, circumstances may exist where it is not possible to consider the recoverable amount of an asset on this basis, for example where all the plant and equipment in a sewage treatment plant are used for the same purpose. Under such circumstances, the carrying amount of each of the related assets will be proportionally reduced in relation to the drop in recoverable amount of the smallest grouping of assets for which it is possible to make a consideration of the recoverable amount.

The following are indicators of a possible impairment of an asset:

- The asset is damaged;
- The asset is technologically outdated and no longer usable;
- The asset was not in use for long periods of time before or during the period within which it was commissioned; and
- Land purchased at market value but will be used for subsidised housing projects and where the subsidy is less than the purchase price.

The following steps will need to be carried out regularly during the year in order to acknowledge impairment losses:

- The departments will identify assets and notify the Chief Financial Officer and Asset Control Division which:
 - Has been damaged;
 - Became technologically outdated;
 - For long periods of time not in use before the asset was commissioned or during its lifetime;
 - Subject to impairment losses because the subsidy to be received in exchange for assets is less than the carrying amount of the assets. An example of this is land purchased at market value and which will be used for subsidised housing developments.
- The recoverable amount of these assets must be determined by determining the net sale price per asset as defined above.
- The impairment loss per asset is the difference between the net sale price and the carrying value of the asset.

Subsequent Increase in the Recoverable Amount

A subsequent increase in the recoverable amount of an asset, previously subject to an impairment loss due to a decrease in the carrying amount, will be written back if the circumstances that caused the loss have ceased to exist and are expected to remain so in the near future.

The amount written back should be reduced by the amount that would have been recognised as depreciation if the impairment loss had not occurred.

Accounting treatment of Disposals

An asset should be removed from the Asset Register on disposals or when the asset is permanently withdrawn from use and no further economic benefits or potential service delivery is expected due to its existence.

Profits and losses arising from the retirement or sale of an asset will be calculated as the difference between the actual or expected sales return and the carrying value of the asset and will be recognised as an income or expense in the statement of Financial Statements.

Reinstatement, Maintenance and Other Expenses

Only expenses incurred for the improvement of an asset (in the form of improved or increased services, or benefits flowing from the use of such asset) or a material extension of the useful lifetime of an asset will be capitalised.

Expenses incurred for the maintenance or reinstatement of an asset will be recognised as operating expenses incurred to ensure that the asset's useful lifetime is sustained and therefore will not be capitalised, regardless of the nature of the expenses.

Expenses reasonably attributable to the asset may be capitalized as part of the cost of that asset. Such expenses may include the following, but are not limited to: import taxes, term contract costs, transportation costs, installation costs, erection costs and communication costs.

The following table can be used to distinguish capital expenditure from maintenance expenses:

CAPITAL EXPENSES	MAINTENANCE
<ul style="list-style-type: none"> • Buying a new asset • Replacement of an existing asset • Improving an existing asset so that its use is expanded. • Further development of existing assets so that its initial useful lifetime is extended. 	<ul style="list-style-type: none"> • Restoration of an asset so that it can continue to be used for its intended use. • Maintenance of an asset so that it can be used for the initial intended period.

Finance Lease and Operating Lease

Finance leases are leases, which in effect transfers all risks and rewards associated with ownership of the asset from the lessor to the lessee. Assets held under leases will be capitalised by the Municipality and incorporated into the Asset Register. The asset will be capitalized at its rental value at the beginning of the lease, which will be the price as indicated in the lease agreement, or at a price calculated after taking into account a reasonable interest on the rental payments over the period of the lease. Depreciation is written off on the asset over its expected usable lifetime.

Operating leases are leases that do not fall within the definition of finance leases. Lease payments are recognised as they become payable. Assets held under operating leases will not be recognised in the Asset Register.

Investment Properties

Investment property will be dealt with in terms of GRAP 16 and will be classified separately in the Statement of Financial Position.

Investment properties consist of land or buildings (or portions of buildings) or both held by the Municipality, as owner or as landlord under a leasehold, to receive rental income or for capital growth or for both.

Investment properties will be incorporated into a separate portion of the Asset Register, similar to other assets.

Depreciation will be written off annually on investment properties over their remaining useful life.

Assets Held as Inventory

Any land or buildings owned or purchased by the Municipality, with the intention of selling such property in the normal course of business or developing such property with the intention of selling in the normal course of business, will be disclosed as inventory. Such property will not be included as property, plant, equipment or investment property in the Municipality's Statement of Financial Position.

The inventory must be recorded in a separate list and be treated the same way as other fixed assets but a separate division in the asset register must be maintained for this purpose.

Heritage Assets

Heritage assets will be dealt with in terms of GRAP 103 and will be classified separately in the Statement of Financial Position.

Heritage assets will be incorporated into a separate portion of the Asset Register, similar to other assets.

If no original cost or fair value is available to one or more heritage assets, the Chief Financial Officer, if it is believed that determining the fair value of the assets under review will be an excessive or expensive undertaking, recognise that asset or assets in the asset register without an indication of the cost price or fair value.

For the purposes of the State of Financial Position, the existence of such heritage assets, relevant and useful information will be disclosed using a disclosure note.

(GRAP 103.17) (GRAP 103.09)

Other Write-offs from Assets

An asset item, even if it is fully depreciated, will only be written off when it can no longer be used, on the recommendation of the Head of Department who controls or uses the item in question. The Chief Financial Officer must also approve the write off.

Each Head of Department will report to the Chief Financial Officer on/before 31 October of each financial year on any asset item that that Head of Department wants written off, with full reasons for such recommendation. The Chief Financial Officer will consolidate all such reports and will briefly notify the Municipal Manager about the assets to be written off.

The only reasons for the write-off of assets other than through disposal will include loss, theft, destruction and permanent impairments of the items involved.

If an asset item is to be written off as a result of an event outside 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 Service, the Auditor-General and insurance, as well as, to take disciplinary action against such employee who may have been involved in such incident.

In each case where a not fully depreciated asset item is written off, the Chief Financial Officer shall immediately debit such departmental account with the full carrying amount of the item concerned as additional depreciation expenses.

15. MAINTENANCE

Maintenance plans

Each Head of Department will ensure that a maintenance plan with regard to each new asset with an asset value and/or category, as determined from time to time by the Municipal Manager, is prepared and submitted to the Municipal Manager on time.

If recommended by the Municipal Manager, the maintenance plan will be submitted to Council before any approval may be given for the acquisition or construction of the infrastructure asset involved.

The Head of Department that controls or uses the relevant infrastructure asset must report annually to Council, not later than July or the earliest Council meeting thereafter, to the extent that the relevant maintenance plan has been complied with and the likely effect that any non-compliance may have on the useful operating life of the asset concerned.

General Maintenance of Assets

Each Head of Department will be directly responsible for ensuring that all assets are properly maintained and in such a manner that will ensure that such an asset reaches its useful life.

16. SHORT TITLE

This policy will be called the Asset Management Policy of the **Bergrivier Municipality**.

17. CONSEQUENCE MANAGEMENT – SECTION 175 OF THE MFMA

The code of ethical standard shall apply to all officials and other role players in the asset 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 aforesaid 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 with due regard to the severity of the

- (c) breach;
in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

APPENDIX A

SCHEDULE OF EXPECTED USABLE LIFETIME OF ASSETS

	ASSET LIFETIME		ASSET LIFETIME
Infrastructure Assets		Community Assets (continued)	
Roads, Sidewalks, Bridges, Highways, Paving, Curbs and Stormwater	5-50	Museums and Galleries	20-50
Electricity Network	5-50	Other	3-30
Water Network	3-100	Work-in-process	N/A
Sewer Network	5-100		
Solid Waste	3-50		
Other	3-50	Other Assets	
Work-in-process	N/A	Motor vehicles	2-10
		Specialized Vehicles	2-30
		Plantation and Equipment	2-30
Community Assets		Furniture and Office Equipment	5-30
Parks and Public Amenities	20-30	Buildings	5-100
Sports Fields and Stages	5-50	Diverse	3-15
Community Hall	20-30	Leases	2-5
Libraries	20-50	Work-in-process	N/A
Recreation Facilities	20-50		
Clinics	20-50		

APPROVAL

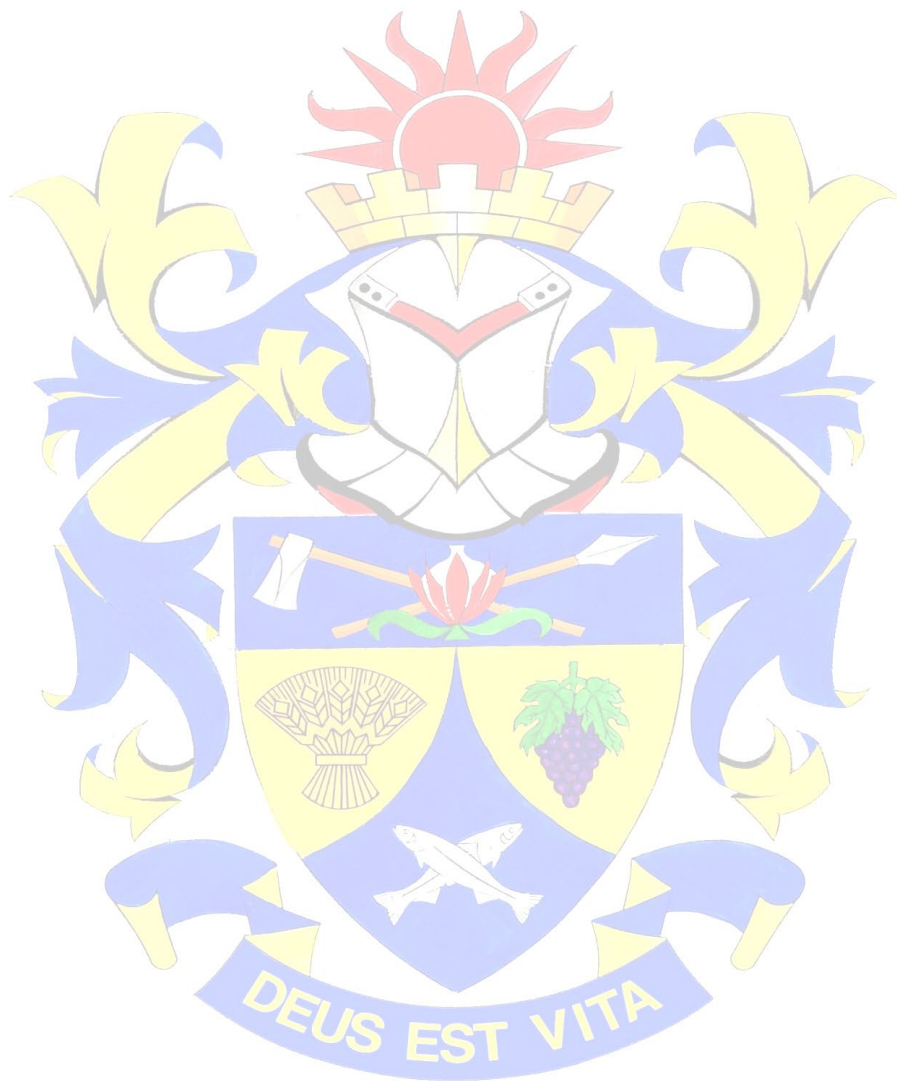
Updated and approved in terms of Board Decision _____ dated _____ which it states, "That the Accounting And Asset Management Policies be delegated to adjust the Accounting and Asset Management policies in terms of the requirements of the GRAP views, legislative requirements or requirements set by the Auditor-General, whenever necessary and that such changes are included in the next report on reviewing budget-related policies."

Approved Date:

Municipal Manager (Accounting Officer)

BERGRIVIER

Munisipaliteit / Municipality



CASH MANAGEMENT AND INVESTMENT POLICY

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1. Introduction

- 1.1 As trustees of public funds, the Council has an obligation to ensure that cash resources are managed as effectively as possible
- 1.2 Council has a responsibility to manage and invest public funds with great care and is accountable to the community in this regard.
- 1.3 The cash management, banking and investment policy should be aimed at gaining the highest possible return without undue risk during those periods when surplus cash is not needed. In this regard it is essential to have an effective cash management system.
- 1.4 Relevant legislation must be adhered to at all times and where this policy is in conflict with legislation, the relevant legislation will supersede this policy. It is the responsibility of the Municipal Manager and / or the Chief Financial Officer to bring such conflicts to the attention of the Council immediately when he / she become aware of such situations / circumstances and to propose the necessary amendments to this policy to eliminate any practices contrary to legislation.
- 1.5 This policy is a requirement in terms of the provisions of the Municipal Finance Management Act 56 of 2003 (MFMA).

2. Regulatory Framework

- 2.1 The Municipal Finance Management Act, (Act 56 of 2003) (MFMA); and
- 2.2 Treasury regulations in terms of Section 13(1) of the MFMA.

3. Objectives

- 3.1 The objectives of this policy is to:
 - a) Comply with the regulatory framework in terms of the relevant legislation;
 - b) To ensure that the investment of surplus funds forms part of the financial system of the municipality;
 - c) To manage Council's investments within its strategic objectives and invest surplus cash in liquid and creditworthy approved institutions;

- d) To ensure that prudent investment procedures are consistently applied;
- e) To raise appropriate finance, whilst recognising maturity and interest rates, in accordance with budgetary requirement;
- f) To manage the overall cash position of Council's operations;
- g) To ensure that the municipality's bank account(s) are effectively managed and accounted for;
- h) To ensure that receipts of revenue are adequately safeguarded and accounted for; and
- i) To ensure that, overall, an effective cash management plan is established and adhered to at all times.

4. Definitions

4.1 For the purpose of this policy, the following words will be defined as follows:

MFMA	Municipal Finance Management Act 56 of 2003
SMME	Small, medium and Micro Enterprises as defined in the National Small Business Act as a separate and distinct business entity, including non-governmental organisations, with less than 200 employees and an annual turnover of less than R10 million.
EFT	Electronic Funds Transfer

5. Cash Management

Adequate and effective cash management is one of the main functions of the Accounting Officer.

5.1 Debtor Collections

- 5.1.1 All monies due to the municipality must be collected as soon as possible and banked on a daily basis, if practically possible. Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for larger amounts to make sure this is banked

on the same day that it is received.

- 5.1.2 All monies due to the municipality must be correctly reflected in the debtor system. The following control measures are necessary:
- a) A well managed debtors and banking control system will ensure that funds owed to the municipality are received and banked;
 - b) A review of debt collection performance by comparing the debtors outstanding in relation to total turnover and comparing this to previous financial years.
 - c) All monies collected by the municipality must be banked in the primary bank account of the municipality or a designated bank account in the municipality's name (i.e. a designated revenue account).
 - d) Monies collected by other agency on behalf of the municipality shall be paid over to the municipality daily and deposited in the bank account of the municipality.

5.2 Payment to Creditors

- 5.2.1 The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by Bergrivier Municipality stipulate payment terms favourable to Bergrivier, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by Bergrivier. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer or his/her delegate, before any payment is made.
- 5.2.2 In the case of small, micro and medium enterprises (SMME's), where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the Chief Financial Officer or his/her delegate, before any payment is made.
- 5.2.3 Special payments to creditors shall only be made with the express approval of the Chief Financial Officer or his/her delegate, who shall be satisfied that there are compelling reasons for making such payments prior to the normal processing.

- 5.2.4 To reduce bank costs with regard to cheque payments it is essential to limit the payment of creditors to one payment per creditor per month if possible and to make use of electronic transfer facilities, subject to strict control measures.
- 5.2.5 When considering the timing of payments to creditors, proper consideration must be given to the conditions of credit / terms of payment offered. In cases where a cash discount is offered for early settlement, the discount, if the relevant time scale is taken into account, will in most cases be more than any investment return from temporarily investing the funds. If discounts are therefore offered for early settlement, they should be assessed and utilised if beneficial.
- 5.2.6 In addition, the normal conditions of credit / terms of payment offered by suppliers should be considered and utilised by timing payments so that they are received by the creditor on the due date.

5.3 Receipt of Payments

- 5.3.1 Receipt of money over the counter:
 - a) Every amount of payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a **pre-numbered official receipt** or computer generated official receipts; and
 - b) Every receipt form, which is cancelled, will be reattached, in the correct place, in the receipt book and indicated as cancelled. Where computer generated receipts are used, the original receipt must be filed for audit purposes.

5.4 Debt

The municipality may only incur debt in terms of Chapter 6, sections 45 and 46, of the MFMA. The municipality may incur two types of debt, namely short term and long-term debt.

5.4.1 Short Term Debt

The municipality may incur short-term debt only when necessary to bridge:

- i. Short falls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year;

OR

- ii. Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

5.4.2 Long Term Debt

The municipality may incur long-term debt only for the purpose of:

- i. Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution. section 152 of the Constitution states that the objects of local government are:

- ➔ to provide a democratic and accountable government for local communities;

- ➔ to ensure the provision of services to communities in a sustainable manner;

- ➔ to promote social and economic development;

- ➔ to promote a safe and healthy environment; and

- ➔ to encourage the involvement of communities and community organisations in the matters of local government.

- ii. Refinancing existing long-term debt is subject to the conditions of subsection (5) of section 46 of the MFMA as set out below:

- ➔ the existing long-term debt was lawfully incurred;

- ➔ the re-financing 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;

- ➔ the net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing; and

- ➔ 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.

6. Banking

6.1 The primary bank account

- 6.1.1 In terms of section 7(1) of the MFMA, the municipality must open and maintain at least one bank account in its name. All money received by the municipality must promptly be paid into its bank account or accounts. The municipality may not open a bank account abroad, with an institution that is not registered as a bank in terms of the Banks Act 94 of 1990, or otherwise than in the name of the municipality.
- 6.1.2 The municipality must have a primary bank account. If the municipality only has one bank account, that account is its primary bank account. However, if the municipality has more than one bank account, it must designate one of its bank accounts as the primary bank account.
- 6.1.3 The Municipal Manager must submit to the National Treasury, Provincial Treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held and the type and number of the account.
- 6.1.4 If the municipality decides to change its primary bank account, it may do so only after the Municipal Manager has informed the National Treasury, Provincial Treasury and the Auditor-General, in writing, at least 30 days before effecting the change.
- 6.1.5 The following monies must be deposited into the municipality's primary bank account:
- i. All allocations to the municipality, including those made to it for transmission to an external service-delivery mechanism assisting the municipality in the performance of its functions;
 - ii. All income received by the municipality on its investments;
 - iii. All income received by the municipality in connection with its interest in any municipal entity, including dividends;
 - iv. All money collected by an external-delivery mechanism on behalf of the municipality and
 - v. Any other monies as the Minister of Finance may prescribe by regulation.

- 6.1.6 The transfer of an allocation of money by another organ of state in the national, provincial or local sphere of government to the municipality must be made through the municipality's primary bank account.

6.2 Administration

- 6.2.1 Section 9 of the MFMA requires that the Municipal Manager must submit to the Provincial Treasury and the Auditor-General, in writing, at least 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account.
- 6.2.2 Annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account must be submitted, in writing, to the Provincial Treasury and the Auditor-General.
- 6.2.3 The Municipal Manager must administer all the municipality's bank accounts and is accountable to the Council for the municipality's bank accounts, but may delegate these duties to the Chief Financial Officer.

6.3 Withdrawal of funds

- 6.3.1 In terms of section 11(1) of the MFMA, only the Municipal Manager, the Chief Financial Officer or another senior financial official acting on written authority from the Municipal Manager, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts.
- 6.3.2 Money may be withdrawn from the municipality's bank accounts only:
- i. To defray expenditure appropriated in terms of an approved budget;
 - ii. To defray expenditure authorised by the MEC for finance if the municipality has failed to approve a budget before the end of the financial year, until a budget is approved;
 - iii. To defray unforeseeable and unavoidable expenses for which no provision has been made in the budget that was authorised by the councillor responsible for financial matters in emergency or other exceptional circumstances;
 - iv. In the case of a bank account opened for the purpose of a relief, charitable or trust fund established by the Council, to make

payments from the account for the purpose for which the fund was established;

- v. To pay over to a person or organ of state money received on behalf of that person or organ of state, including money collected by the municipality on behalf of that person or organ of state by agreement or any insurance or other payments received by the municipality for that person or organ of state;
- vi. To refund money incorrectly paid into a bank account;
- vii. To refund guarantees, sureties and security deposits;
- viii. For cash management and investment purposes in accordance with this policy;
- ix. To defray increased expenditure in terms of section 31 of the MFMA; and
- x. For such other purposes as may be described, including emergency purposes, as may be prescribed by regulation, instruction or guidelines issued by the National Treasury.

6.3.3 The Municipal Manager may not authorise any official other than the Chief Financial Officer to withdraw money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality's primary bank account is separate from its other bank accounts.

6.3.4 The Municipal Manager must, within 30 days after the end of each quarter, table a consolidated report of all withdrawals made in terms of paragraph 6.3.2 (ii) to (x) during that quarter to Council and submit a copy of the report to the Provincial Treasury and the Auditor-General.

6.4 Relief, Charitable and Trust Funds

6.4.1 In terms of section 12 of the MFMA, no political structure or office-bearer of a municipality may set up a relief, charitable, trust or other fund of whatever description except in the name of the municipality. Only the municipal manager may be the Accounting Officer of any such fund.

6.4.2 A municipality may in terms of section 7 of the MFMA open a separate bank account in the name of the municipality for the purpose of a relief, charitable, trust or other fund.

- 6.4.3 Money received by the municipality for the purpose of a relief, charitable, trust or other fund must be paid into a bank account of the municipality, or if a separate bank account has been opened in terms of 6.4.2 above, into that account.
- 6.4.4 Money in a separate account opened, in terms of 6.4.2 above, may be withdrawn from the account without appropriation in terms of an approved budget, but only:
- i. by or on the written authority of the accounting officer acting in accordance with decisions of the municipal council; and
 - ii. for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

6.5 Banking Arrangements

- 6.5.1 The Municipal Manager is responsible and accountable for the management of the municipality's bank account(s). The Municipal Manager may delegate such functions, duties and powers in relation to the management of the municipality's bank account(s) as may be necessary for the effective and efficient administration thereof.
- 6.5.2 The Municipal Manager may sign any document, relating to the management of the municipality's bank account(s), provided that under no circumstances shall only one person sign a cheque of the municipality.
- 6.5.3 The Chief Financial Officer will identify from time to time employees who can approve EFT payments on behalf of the municipality. A minimum of two employees must approve EFT payments.
- 6.5.4 In compliance with the requirements of good governance, the Municipal Manager may request to open a separate bank account for:
- i. Ordinary operating purposes;
 - ii. The external finance fund;
 - iii. The asset financing fund;
 - iv. Capital receipts in the form of grants, donations or contributions from whatever source; and
 - v. Any other reserves as per Funding and Reserves Policy.

- 6.5.5 In determining the number of accounts to be maintained, the Municipal Manager, in consultation with the Chief Financial Officer, shall consider the following:
- i. The likely number of transactions affecting each of the accounts referred to;
 - ii. The cost of maintaining more than one bank account;
 - iii. The capacity of the Directorate: Financial Services to perform the accounting functions relevant to bank accounts.
- 6.5.6 Unless there are compelling reasons to do otherwise and the Council expressly so directs, the Municipality's bank accounts shall be maintained with the same banking institution to ensure the pooling of balances for purposes of determining the interest payable to the municipality on any credit balance.
- 6.5.7 The Municipal Manager shall invite bids for the placing of the municipality's bank accounts in accordance with the Supply Chain Management Policy. Any new banking arrangements shall take effect from the first day of the financial year ensuing after the bid has been awarded. However, the Municipal Manager may invite such tenders at any earlier stage, if he/she, after consultation with the Chief Financial Officer, is of the opinion that the services offered by the municipality's current banking institution(s) are materially defective or not cost-effective.

6.6 Collection and Banking of Revenue

- 6.6.1 The Municipal Manager must implement and enforce the municipality's credit control and debt collection policy and by-laws and establish effective administrative mechanisms, processes and procedures to collect money that is due to the municipality. All monies due to the municipality must be collected as soon as possible, either before or on the due date.
- 6.6.2 The Directorate: Financial Services must receive all payments. No cash payment may be accepted unless an official receipt can be issued immediately.
- 6.6.3 The Chief Financial Officer must ensure that all monies received by any department other than the Directorate: Financial Services are regularly paid to his/her department, or alternatively, deposited into the bank account of the municipality designated by the Chief Financial Officer.

- 6.6.4 All monies received must be deposited in the municipality's bank account(s) not later than the first working day after its receipt.
- 6.6.5 In respect of monies received at smaller cashiers offices of the municipality (i.e. where receipts are small amounts), the Municipal Manager:
- i. Shall make appropriate arrangements to ensure that all monies received are deposited into the municipality's bank account, as designated by the Chief Financial Officer, as often as practicably possible, or alternatively, the risk of keeping cash on the premises should be adequately addressed;
- 6.6.6 Every departmental head must, without delay, notify the Chief Financial Officer in writing of any monies due to the municipality and the reasons why such monies are owed must be explained in such notification. All amounts owing to the municipality must be levied by way of a debit in the applicable debtors system.
- 6.6.7 The Chief Financial Officer shall ensure that:
- i. All revenues are properly accounted for; and
 - ii. The municipality's accounting system recognises revenue when it is earned and accounts for debtors and receipts of revenue.

6.7 Permissible Methods of Payment

- 6.7.1 A debtor may settle his/her debt with the municipality by:
- i. Cash payment at a pay point of the municipality;
 - ii. Stop-order in favour of the municipality against his/her bank account; or
 - iii. Direct deposit or EFT into the municipality's bank account; or
 - iv. Credit or Debit Card
- 6.7.2 In order to reduce the risk of theft and fraud, the Chief Financial Officer shall encourage debtors to effect payment by any method in paragraph 6.7.1 (IV) and (v).

- 6.7.3 A debtor who settles his/her debt to the municipality using a payment option other than that stipulated in paragraph 6.7.1 (i) shall ensure that his/her account number with the municipality is clearly indicated on any deposit slip or other confirmation of payment issued.

6.8 Receipts

- 6.8.1 The receipt of all monies must immediately be recorded by means of a pre-numbered / system generated official receipt.
- 6.8.2 No alterations shall be made to a receipt or other form of acknowledgement of payment.
- 6.8.3 Any error that appears on a receipt must be corrected by issuing a new receipt and the cancellation of the erroneous one.
- 6.8.4 Every cancelled receipt must be returned to its proper place in the receipt book, or in the absence of a receipt book, file according to the instructions of the Chief Financial Officer.
- 6.8.5 Any cash surplus found at any time must immediately be declared, a receipt issued for the amount of such surplus and deposited without delay into the municipality's bank account.
- 6.8.6 Any cash deficits must immediately be reported and made good in accordance with the instructions of the Chief Financial Officer.

6.9 Security of cash at pay points

- 6.9.1 The municipal manager shall:
- i. Regularly, in co-operation with the Chief Financial Officer and the Internal Auditor, assess the impact and likelihood of loss to monies received due to theft, robbery or fraud or its destruction; and
 - ii. Implement such measures as may be necessary to reduce the risk of loss through theft, robbery or fraud or its destruction.
- 6.9.2 Nobody shall instruct or permit an employee who is responsible for receiving payments made to the municipality not to comply with any security measures or procedures prescribed by the Municipal Manager in terms of paragraph 6.9.1 (ii).

6.9.3 Whenever loss or destruction of monies received occurs, the Chief Financial Officer shall report the loss to the Internal Auditor who shall:

- i. As soon as practicable after he/she became aware of the matter:
 - ➔ Investigate circumstances of the loss or destruction; and
 - ➔ Determine the amount of the loss or damage the municipality suffered;
- ii. Take appropriate to:
 - ➔ Recover any loss the municipality may have suffered; and
 - ➔ Prevent a recurrence of the event; and
- iii. In appropriate cases:
 - ➔ Institute disciplinary action; and
 - ➔ Report the matter to the South African Police Services.

6.9.4 An employee who fails or refuses to implement or to comply with any security measures and procedures prescribed by the Municipal Manager in terms of paragraph 6.9.1 (ii) shall be guilty of disciplinary offence. In any disciplinary enquiry pursuant to paragraph 6.9.3 (iii) it shall not be a defence for an employee or a councillor if it is found that he/she did not comply with any security measures or procedures prescribed by the Municipal Manager.

6.10 Unclaimed Deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue.

7. Investments

7.1 General

7.1.1 Council may only invest surplus funds with deposit taking institutions registered in terms of the Banks Act 94 of 1990, for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Council approval, investments can exceed one

year and be made at other institutions/instruments as approved in the National Treasury regulations.

7.1.2 The way in which surplus funds and other monies of the Municipality can be invested is controlled in terms of section 13 of the MFMA.

7.1.3 Council will only make investments with approved institutions which have an A rating.

7.2 Cash Flow Estimates

7.2.1 Before any money can be invested, the Municipal Manager, in consultation with the Chief Financial Officer, has to determine whether there will be surplus funds available. The term of investment should also be investigated to ensure that surplus cash would be invested for the period it is not required.

7.2.2 Prior to making investments other than for short-term investments, it is essential that cash-flow estimates be compiled monthly for at least the forthcoming twelve months.

7.2.3 When compiling cash-flow estimates on a monthly basis, it is essential that the Municipal Manager / Chief Financial Officer are aware of all expected cash-flow and when it is to take place. The timing with regard to cash outflows should be determined as far as possible by reference to both the operational and the capital budgets.

7.3 Investment Ethics

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

- i. Under no circumstances may inducements to invest be accepted;
- ii. Interest rates quoted by one institution must not be disclosed to another institution;
- iii. 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.

7.4 Investment Principles

The following guiding principles are to be adhered to in order to facilitate the administration of Council's investment portfolio.

7.4.1 Limit Exposure to a Single Institution:

- i. Investment of funds, where this involves large amounts, should preferably be distributed over more than one institution in order to limit Council's risk exposure.

7.4.2 Risk and Return:

- i. As a general principle, it must be accepted that the greater the return, the greater the risk.

7.4.3 Borrowing for Re-Investment:

- i. Council should refrain from borrowing monies for the purpose of re-investment, as this is tantamount to speculation with public funds.

7.4.4 Nominee Accounts:

- i. All moneys shall be invested directly with the relevant institutions. On no account may moneys be placed in a nominee account.

7.5 General Investment Practice

7.5.1 General

- i. Prior to an investment being made at least three written quotations must be obtained from financial institutions for various forms of investment, investment terms and rates of interest. Acceptance of the above must be governed in order of priority by:
 - ➔ Preservation and safety of principal;
 - ➔ Liquidity;
 - ➔ Yield;
 - ➔ Where appropriate, match dates of repayment of maturing loans.
- ii. Institutions should be advised that, in submitting quotations, they must offer their best rates of interest and that no further negotiation or discussion will be entered into with them after they have submitted their quotation.

7.5.2 Payment of Commission:

- i. A certificate shall be issued in respect of each and every investment made by the financial institution receiving the investment and no payment of any commission or payment in kind will be made to any party in respect of the investment so made.

7.5.3 Internal Investments:

- i. Before planning to invest funds externally, consideration must be given to whether the funds may be utilised at an equivalent rate to substitute external borrowing as there is normally a margin between the rate at which Council may borrow funds and the rate at which investments may be made over similar periods.

7.5.4 Cash at Bank:

- i. When funds are held in a current account, it is a good business practice to operate a call account. The overriding principle is that funds in the current account are to be kept at an absolute minimum.

7.5.5 Credit Worthiness:

- i. Prior to investing in **all smaller** registered financial institutions, the Investment Committee must ensure that the Council is not over-exposed and should satisfy itself as to the credit-worthiness **as per Moodys and Standard & Poor credit ratings that's applicable to the banks in South Africa. and previous track record of the institution before placing funds.**

7.5.6 Control over Investments:

- i. A proper record must be maintained of all investments made indicating at least the institution, fund, interest rate, maturing date and purpose of investment.
- ii. The Chief Financial Officer must retain all quotations received for record and audit purposes.
- iii. Interest must be correctly calculated, received and recorded timeously.
- iv. All investment certificates are to be kept in a securities file which shall be safeguarded in a fireproof safe.

- v. In respect of grant funds, a separate file must be kept of the letter of grant and other pertinent information. Regular reports must be submitted to all grant agencies.
- vi. The Chief Financial Officer must compile and will be responsible for the maintenance of an Investment Register complying with audit requirements.

7.5.7 Reporting

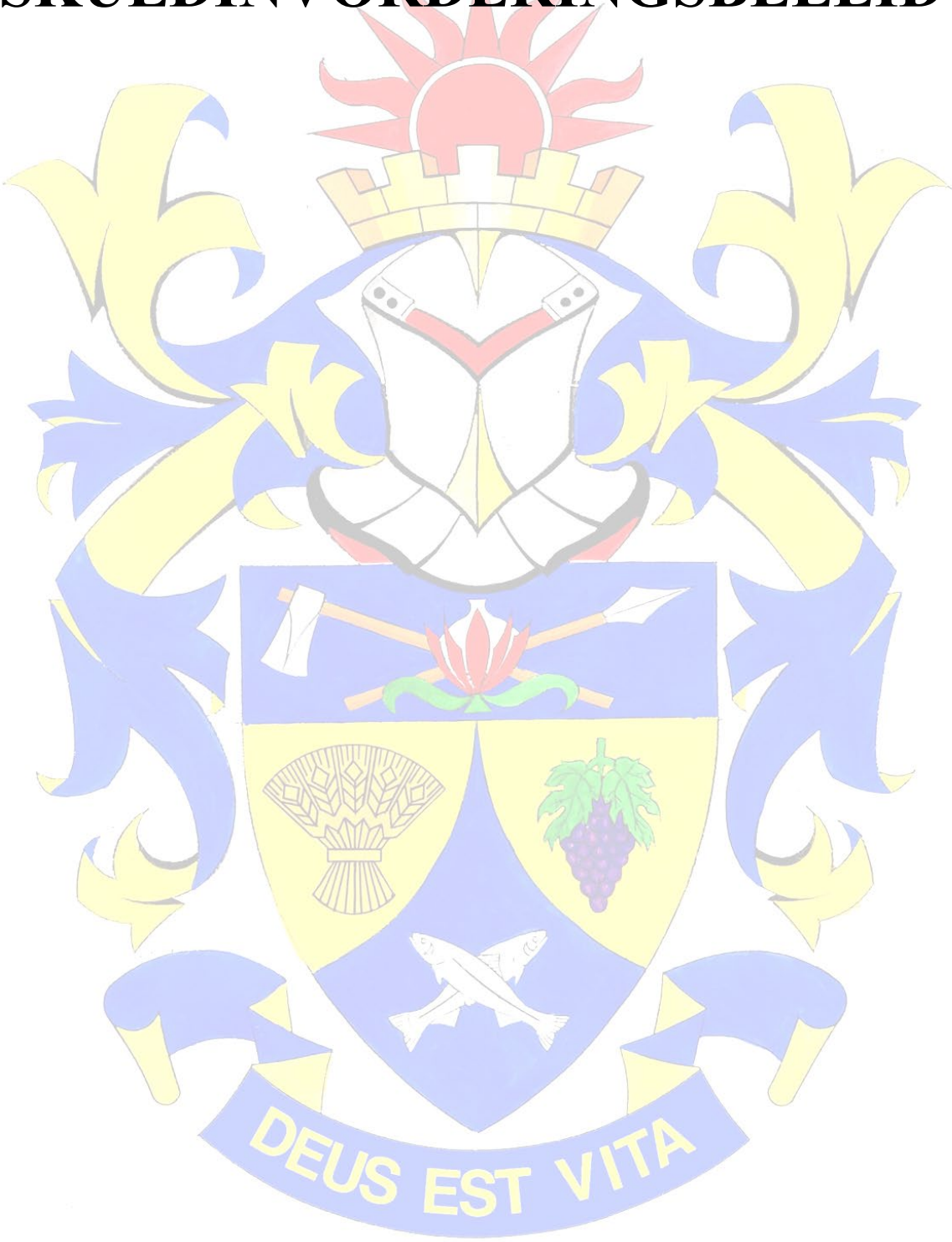
- vii. The Chief Financial Officer should every months submit a report to the Council on the Council's investment portfolio, as in the format prescribed by National Treasury.

8. INVESTMENT DIVERSIFICATION

- 8.7.1 Without limiting the Accounting Officer to any specific amount or percentage of investments, it is hereby established that investments made by the municipality should be diversified as much as possible between different institutions, maturity dates and types, but nothing prevents the Accounting Officer from investing more cash with an institution than by another institution with due regards to the standard of care and objectives set in this policy. Not more than 50% of the total investments should be invested with one institution when making a new investment.
- 8.7.2 Having determined that funds are available for investment and the maximum period for which the funds may be invested, the Chief Financial Officer (CFO) (or his delegated nominee in the treasury and budget section) needs to consider the manner in which the investments are placed. As rates can vary according to the money market perception related to the term of the investment, there is merit in obtaining quotes for periods within the maximum determined.

BERGRIVIER MUNISIPALITEIT

KREDIETBEHEER & SKULDINVORDERINGSBELEID



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INLEIDING

Ingevolge artikel 96 van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 moet 'n Munisipaliteit –

- alle gelde invorder wat aan hom verskuldig en betaalbaar is, behoudens die bepalinge van die Wet en enige ander toepaslike wetgewing; en
- vir dié doel, 'n kredietbeheer- en skuldinvorderingsbeleid aanneem, in standhou en implementeer wat nie strydig is nie met sy eiendomsbelastingbeleid en sy tariefbeleid en wat aan die bepalinge van die Wet voldoen.

Ten einde uitvoering te gee aan die voorafgaande bepalinge van die Wet het die raad van die Munisipaliteit Bergrivier 'n kredietbeheer- en skuldinvorderingsbeleid, soos hierna uiteengesit, aanvaar.

HOOFSTUK 1

WOORDOMSKRYWING

1. Vir die doeleindes van hierdie beleidsdokument het enige woord of uitdrukking waaraan 'n bepaalde betekenis geheg is in die Wet, dieselfde betekenis, tensy uit die samehang anders blyk, en beteken -

“agterstallige bedrae” enige bedrag verskuldig en betaalbaar aan die Munisipaliteit wat nie voor of op die datum van betaling betaal is nie;

“Direkteur: Finansiële Dienste” 'n persoon wat deur die raad in dié hoedanigheid aangestel is om die raad se finansies te administreer en sluit enige persoon in –

(1) wat in sodanige pos waarneem;

(2) aan wie die Direkteur: Finansiële Dienste 'n bevoegdheid, funksie of verpligting gedelegeer het ten opsigte van sodanige gedelegeerde bevoegdheid, funksie of verpligting;

“datum van betaling” soos omskryf in paragraaf 6 hiervan ten opsigte van die onderskeie gelde, tariewe en belasting betaalbaar aan die Munisipaliteit;

“eienaar” met betrekking tot onroerende goed—

(1) die persoon by wie die regstitel daarvan berus;

(2) in die geval waar die persoon by wie die regstitel daarvan berus, insolvent of oorlede is, of aan enige vorm van wetlike diskwalifikasie onderhewig is, dié persoon in wie die administrasie of beheer van sodanige onroerende goed berus as kurator, trustee, eksekuteur, administrateur, geregtelike bestuurder, likwidateur of enige ander wetlike verteenwoordiger;

- (3) in enige geval waar die raad nie in staat is om die identiteit van so 'n persoon te bepaal nie, 'n persoon wat geregtig is op die voordelige gebruik van sodanige onroerende goed;
- (4) in die geval van onroerende goed waarvoor 'n huurooreenkoms van 30 jaar of langer aangegaan is, die huurder daarvan;
- (5) met betrekking tot –
 - (i) 'n gedeelte grond afgebaken op 'n deeltitelplan en wat geregistreer is ingevolge die Wet op Deeltitels, 1986 (Wet No. 95 van 1986), die ontwikkelaar of die bestuursliggaam ten opsigte van die gemeenskaplike eiendom;
 - (ii) 'n gedeelte grond soos gedefinieer in dié Wet, die persoon in wie se naam dié gedeelte geregistreer is ingevolge 'n deeltitelakte, insluitende die wettige aangestelde verteenwoordiger van sodanige persoon;
- (6) enige regspersoon insluitende, maar nie beperk nie tot:
 - (i) 'n maatskappy geregistreer ingevolge die Wet op Maatskappye, 1973 (Wet No 61 van 1973), 'n trust *inter vivos*, trust *mortis causa*, 'n beslote korporasie geregistreer ingevolge die Wet op Beslote Korporasies, 1984 (Wet No 69 van 1984), en 'n vrywillige assosiasie;
 - (ii) enige staatsdepartement;
 - (iii) enige raad of bestuursliggaam ingestel ingevolge enige wetgewing van toepassing in die Republiek van Suid-Afrika; en
 - (iv) enige ambassade of ander buitelandse entiteit;

“Munisipale Bestuurder” die persoon wat deur die raad in dié hoedanigheid aangestel is ingevolge artikel 82 van die Wet op Plaaslike Regering: Munisipale Strukture Wet No 117 van 1998 en sluit enige persoon in –

- (1) wat in sodanige pos waarneem;
- (2) aan wie die Munisipale Bestuurder 'n bevoegdheid, funksie of verpligting gedelegeer het ten opsigte van sodanige gedelegeerde bevoegdheid, funksie of verpligting;

“munisipale dienste” die voorsiening van water, die voorsiening van elektrisiteit, die verwydering van huisvuil, die wegdoen van rioolvuil of enige een of kombinasie van dié dienste;

“Munisipaliteit” die Munisipaliteit Bergrivier

“perseel” enige gedeelte grond, geleë binne die regsgebied van die munisipaliteit, waarvan die buite grense afgebaken is op:

- (1) 'n algemene plan of diagram wat geregistreer is ingevolge die Opmetingswet, 1927 (Wet no. 9 van 1927) of die Registrasie van Aktes Wet, 1937 (Wet no. 47 van 1937) of;
- (2) 'n deeltitelplan geregistreer ingevolge die Wet op Deeltitels, 1986 (Wet no. 95 van 1986);

“raad” die munisipale raad van die Munisipaliteit Bergrivier

“rekening” sluit in-

- (1) heffings, bobelasting of dienstegelde ten opsigte van die volgende dienste:
 - elektrisiteitsverbruik;
 - waterverbruik;
 - vullisverwydering;
 - riool dienste;
- (2) eiendomsbelasting;
- (3) huurgeld;
- (4) lenings paaieimente;
- (5) rente op agterstallige bedrae;
- (6) enige ander heffings en gelde wat regtens aan die Munisipaliteit verskuldig is;

en het **die “munisipale rekening”** 'n ooreenstemmende betekenis;

“standaard rentekoers” 'n rentekoers wat een persent hoër is as die rentekoers wat die Munisipaliteit aan sy bank moet betaal ten opsigte van 'n oortrekking;

“Wet” die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet 32 van 2000) soos van tyd tot tyd gewysig;

HOOFSTUK 2

KLIËNTESORG EN – BESTUUR

2.1 KOMMUNIKASIE EN DIE OORDRA VAN INLIGTING

2.1.1 Ten einde uitvoering aan die bepalings van artikel 95(a), (b) en (c) van die Wet te gee, sal die Munisipaliteit alles binne sy vermoë doen om –

- 'n kliëntediensforum daar te stel waar verteenwoordigers van die gemeenskap en lede van die raad mekaar kan ontmoet;
- wyksvergaderings te hou waar verteenwoordigers van die Munisipaliteit en ander diensverskaffers met wykslede en hul wyksraadslid kan beraadslaag;
- sorg te dra dat gebruikers van munisipale dienste en/of enige ander diens, belastingbetalers en inwoners in die algemeen, behoorlik ingelig word met betrekking tot dienslewering en in besonder die koste van verskaffing van dienste.

Om dié oogmerke te bereik -

- sal daar, onder meer, gedurende die begrotingsproses openbare vergaderings belê word waarby politieke partye, belastingbetalers- en inwonersverenigings, gemeenskapsorganisasies, sakekamers, die publiek in die algemeen en enige ander belanghebbende partye betrek sal word en waartydens begrotingsprioriteite, -beginsels en -raamwerke ontleed en bespreek sal word;
- sal daar van tyd tot tyd behoefte-identifisering werkswinkels in wyke gehou word met die doel om-
 - (1) die behoeftes in die wyke wat wettiglik die verantwoordelikheid van die Munisipaliteit is, te identifiseer;
 - (2) die gemeenskap by die prioritisering van sodanige behoeftes te betrek;
 - (3) die gemeenskap te betrek by die Munisipaliteit se beplanning van projekte en wat die Munisipaliteit doen en wat ander regeringsvlakke doen; en
 - (4) gemeenskappe in te lig wat die vlakke van betaling en nie-betaling in so 'n wyk is ten opsigte van Munisipale dienste, belastings en ander gelde verskuldig aan die Munisipaliteit en om strategieë in dié verband te bepaal.
- sal daar nadat die konsepbegroting opgestel is, verdere openbare vergaderings gehou word om die implementering van tariewe en die wyse waarop die begroting aangewend sal word, bespreek word;
- sal wyksraadslede aangemoedig word om gereelde wyksvergaderings te hou waar, onder meer, in besonder aandag verleen sal word aan klantesorg- en skuld-kwessies.

2.1.2 Ander metodes van kommunikasie sal insluit-

- die gebruik van munisipale rekeninge as 'n hoogs effektiewe metode van kommunikasie om allerhande soort inligting oor te dra;
- die verspreiding van 'n kwartaallikse nuusbrieff waarin prominensie verleen sal word aan klantesorg- en skuldkwessies;
- aanmoediging van die openbare pers om prominensie te verleen aan die Munisipaliteit se klantesorg- en skuldkwessies en om die pers aan te moedig om raadsvergaderings by te woon waar hierdie kwessies bespreek word.
- Elektroniese diens kan gebruik word om inligting aan verbruikers deur te gee

2.2 METING VAN MUNISIPALE DIENSTE

2.2.1 Die Munisipaliteit sal op 'n deurlopende grondslag sorg dat elektriese energie en water wat aan verbruikers voorsien word, deur middel van akkurate en verifieerbare metingstelsels gemeet word soos en wanneer hierdie dienste gelewer word.

2.2.2 Meters sal sover as wat moontlik is, met tussenposes van een maand gelees word.

2.2.3 Indien 'n perseel waarop metertoerusting geïnstalleer is, gesluit is, of vir welke rede ook al ontoeganklik is vir die beampte wat verantwoordelik daarvoor is om die meters te lees, sal die Munisipaliteit geregtig wees om 'n rekening gebaseer op die geskatte gebruik, soos deur die Direkteur: Finansiële Dienste geskat, aan die verbruiker te lewer. Wanneer 'n meter vir meer as vier (4) keer binne 'n periode van 12 maande nie toeganklik is nie, mag die Munisipaliteit die metertoerusting op koste van die verbruiker geskuif word om toeganklik te wees.

2.2.4 Waar 'n meter geïnstalleer is, word beskou dat 'n persoon van die elektriese energie of die hoeveelheid water voorsien is wat deur die meter geregistreer word; met dien verstande dat vir die tydperk wat 'n meter buite werking is, die elektriese energie of die water gelewer aan so 'n persoon bereken sal word op die grondslag van die gemiddelde hoeveelheid wat onafgebroke gelewer is vir die drie maande wat die voormelde tydperk voorafgaan.

2.2.5 Waar 'n verbruiker vir 'n geskatte verbruik ooreenkomstig paragraaf 2.2.3 aangeslaan word, moet die verskil tussen werklike verbruik en die geskatte verbruik verreken word sodra 'n gemeterde lesing verkry is.

2.2.6 Indien 'n verbruiker verlang dat 'n spesiale meterlesing geneem word, kan so 'n lesing verkry word teen betaling van 'n voorgeskrewe tarief.

2.3 MUNISIPALE REKENINGE

Die Munisipaliteit sal sover as wat dit moontlik is, verseker dat 'n persoon wat aanspreeklik is vir betaling van munisipale dienste en eiendomsbelasting, akkurate

rekenings op 'n maandelikse grondslag kry, waarop die volgende besonderhede aangedui word:

- alle bedrae uitstaande en die balanse oorgedra;
- bedrae verskuldig;
- totale bedrag betaalbaar;
- meterlesing.

2.4 NAVRAE, APPËLLE EN DIENSKLAGTES

2.4.1 Indien 'n persoon oortuig is dat sy of haar rekening vir munisipale dienste onakkuraat is, kan hy of sy 'n versoek aan die Munisipaliteit rig om sodanige rekening te hersien.

2.4.2 Geldige redes moet aangevoer waarom verbruiker dink rekening is onakkuraat

2.4.3 Betaling van toetsfooi vir meter apparaat moet gemaak word alvorens daar enige verdere stappe geneem kan word (Waar die metingsapparaat in twyfel getrek word)

2.4.4 In die tussentyd moet die persoon 'n bedrag betaal wat gelyk is aan die gemiddelde verbruik vir die voorafgaande drie maande, waar die geskiedenis van sodanige rekening beskikbaar is. Waar geen sodanige geskiedenis beskikbaar is nie, moet die betrokke persoon 'n geskatte bedrag, soos deur die Direkteur: Finansiële Dienste bepaal, voor die betaaldatum betaal en totdat die aangeleentheid opgelos is.

2.4.5 Die betrokke afdeling in die Munisipaliteit moet binne een maand vanaf datum van ontvangs van so 'n versoek, die aangeleentheid ondersoek en die betrokke persoon van die uitslag van so 'n ondersoek verwittig.

2.4.6 Versuim om voor of op datum van betaling die bedrag soos by paragraaf 2.4.4 bepaal te vereffen, stel so 'n persoon daaraan bloot dat sy elektrisiteit- en/of watervoorsiening afgesluit sal word.

2.4.7 'n Persoon mag appèl aanteken teen die bevinding van die Munisipaliteit waarna in paragraaf 2.4.5 verwys word.

2.4.8 'n Appèl ingevolge paragraaf 2.4.7 moet gemaak en aan die Munisipale Bestuurder besorg word binne 21 dae nadat die appellant bewus geword het van die bevinding waarna in paragraaf 2.4.5 verwys word en moet –

- (1) die redes uiteensit vir die appèl, en
- (2) indien toepaslik die gelde insluit wat deur die Munisipaliteit vasgestel is vir die toets van 'n meettoestel.

2.5 BETAALFASILITEITE

2.5.1 Die Munisipaliteit sal strategies geleë toeganklike betaalkantore en kassiers-betaalpunte regoor sy regsgebied voorsien en in stand hou in aggenome die beskikbaarheid van publieke vervoer asook konsentrasie van verbruikers en afstand vanaf naaste betaalpunt en kostes daaraan verbonde.

- 2.5.2 Die Munisipaliteit kan enige alternatiewe metodes van betaling ondersoek en implementeer om betalings meer toeganklik te maak vir die publiek
- 2.5.3 Waar gebruik gemaak word van alternatiewe betaalfasiliteite, rus die onus op die persoon wat van sodanige fasiliteite gebruik maak om bewys van betaling te lewer en aanvaar die Munisipaliteit nie aanspreeklikheid vir nie-ontvangs van sodanige betalings of vir foutiewe toewysings indien sodanige foutiewe toewysings te wyte is aan die nalate van sodanige persoon nie.
- 2.5.4 Die munisipaliteit erken betalings (elektroniese oorplasing/direkte deposito's) wanneer dit verskyn op die Raad se bankrekening voor/op die betaaldatum.
- 2.5.5 Waar betaling van gelde verskuldig by wyse van 'n direkte deposito op die Munisipaliteit se goedgekeurde bankrekening gedoen word, rus die onus op die skuldenaar om die Munisipaliteit nie later nie as die datum van betaling van sodanige gelde soos beoog by paragraaf 6.2 hiervan skriftelik of per faksimilee van sodanige deposito te verwittig.
- 2.5.6 Munisipale rekeninge groter as R5,000.00 moet elektronies, met 'n debiet / krediet kaart of per elektroniese oorplasing gemaak word. Die munisipale kantore wil kontant verbruik soveel moontlik verminder.

2.6 TOEWYSING VAN INKOMSTE

Ooreenkomstig artikel 102 van die Wet mag 'n Munisipaliteit-

- Alle dienste op 'n munisipale rekening konsolideer, en dienste staak waar enige diens op die rekening uitstaande is;
- enige afsonderlike rekenings van persone wat vir betalings aan die Munisipaliteit aanspreeklik is, konsolideer; en
- 'n betaling deur so 'n persoon krediteer teen enige rekening van daardie persoon.

Betalings wat deur die Munisipaliteit ontvang word, sal derhalwe in die volgende orde van voorkeur toegewys word:-

- (1) rente op agterstallige bedrae;
- (2) betalings wat ingevolge 'n ooreenkoms aan die Munisipaliteit in maandelikse paaielemente afbetaal word;
- (3) rioolgelde;
- (4) huurgelde ten opsigte van behuising en ander hure;
- (5) leningterugbetalings;
- (6) diverse gelde en heffings;
- (7) vullisverwyderingsgelde;
- (8) water;

- (9) elektrisiteit;
- (10) beschikbaarheidsgelde;
- (11) eiendomsbelasting.

HOOFSTUK 3

KREDIETBEHEER- EN SKULDINVORDERINGSMAATREËLS

3. AANSOEK VIR MUNISIPALE DIENSTE

3.1 Niemand sal geregtig wees op toegang tot Munisipale dienste of mag Munisipale dienste gebruik of daarvan gebruik maak nie, tensy aansoek op 'n voorgeskrewe vorm gedoen is en die Munisipaliteit sodanige aansoek goedgekeur het nie.

3.2 Indien munisipale dienste, by die inwerkingstelling van hierdie beleid of te enige ander tyd, voorsien word terwyl geen geskrewe ooreenkoms vir die voorsiening daarvan bestaan nie, sal dit geag word dat –

- (1) 'n ooreenkoms ooreenkomstig die bepalings van paragraaf 3.6 wel bestaan; en
- (2) die standaard of vlak van diens wat aldus gelewer word die standaard of vlak van diens te wees wat die verbruiker of die persoon wat daarvan gebruik maak, verkies;

tot tyd en wyl die Munisipaliteit en die betrokke persoon 'n ooreenkoms soos beoog by paragraaf 3.1 aangegaan het.

3.3 Die Munisipaliteit moet by ontvangs van 'n aansoek vir die voorsiening van munisipale dienste, die betrokke aansoeker in kennis stel van die verskillende vlakke of standaarde van dienste en die toepaslike tariewe en/of gelde betaalbaar ten opsigte van elke vlak van diens.

3.4 Die Munisipaliteit sal slegs verplig wees om 'n spesifieke vlak van 'n munisipale diens wat versoek word, te voorsien indien dit reeds in normale loop van sake deur die Munisipaliteit gelewer word en dan slegs indien die Munisipaliteit oor die middele en die kapasiteit beskik om sodanige vlak van 'n diens te voorsien.

3.5 'n Persoon mag te enige tyd aansoek doen om die vlak van 'n Munisipale diens, waartoe oorspronklik by ooreenkoms ooreengekom is, te verander, met dien verstande dat die vlak van diens wat versoek word, beskikbaar is en dat die koste en uitgawe verbonde aan die verandering van die vlak van sodanige diens deur die aansoeker betaal word.

3.6 Die aansoekvorm waarna in paragraaf 3.1 verwys word, behoorlik voltooi en onderteken deur die aansoeker en die Munisipaliteit se goedkeuring daarvan sal 'n bindende ooreenkoms tussen die Munisipaliteit en sodanige aansoeker uitmaak en sal in werking tree op die datum aangedui op sodanige vorm.

3.7 By voltooiing van 'n aansoekvorm vir munisipale dienste, sal die Munisipaliteit seker maak dat die dokument en die proses van interaksie met die eienaar, verbruiker of enige ander persoon wat aldus aansoek doen, deur sodanige persoon verstaan word en sal hy of sy bewus gemaak word van die opsie om as hulpbehoewende huishouding te registreer.

3.8 In die geval van 'n ongeletterde of 'n dienooreenkomstig gestremde persoon, sal die Munisipaliteit die nodige stappe neem om seker te maak dat die persoon bewus is van en die inhoud van 'n aansoekvorm begryp en dat hy of sy bygestaan word met die voltooiing daarvan.

3.9 Indien die Munisipaliteit –

- (1) 'n aansoek vir die voorsiening van munisipale dienste of 'n spesifieke diens of vlak van 'n diens, weier;
- (2) nie in 'n posisie is om sodanige munisipale diens of vlak van 'n diens op die datum waarop dit versoek word, te lewer nie;
- (3) nie in 'n posisie is om hoegenaamd sodanige munisipale diens of vlak van 'n diens te lewer nie;

sal die Munisipaliteit binne 'n redelike tyd, die aansoeker verwittig van sodanige weiering of onvermoë om die diens te lewer, die redes daarvoor en indien van toepassing wanneer die Munisipaliteit in 'n posisie sal wees om sodanige munisipale diens of 'n spesifieke diens of vlak van 'n diens, te lewer.

3.10 Indien 'n aansoeker 'n uitstaande bedrag het wat verskuldig en betaalbaar aan die munisipaliteit is, moet die agterstallige betaal word; of 'n ooreenkoms vir die betaling van agterstallige bedrag moet gesluit word met die munisipaliteit voordat 'n aansoek om dienste goedgekeur kan word.

3.11 Alle aansoeke vir bouplanne en grondgebruike sal slegs oorweeg word indien die aansoeker se munisipale dienste en eiendomsbelasting rekeninge op die genoemde eiendom te volle vereffen is. Die Direkteur: Finansiële Dienste kan sy diskresie uitoefen om 'n aansoek af te teken op aanbeveling van die Bestuurder Inkomste na oorweging van die meriete van die aansoek, ongeag of die rekening ten volle vereffen is al dan nie. Volledige redes moet die aansoek vergesel.

Volledige munisipale rekeninge moet elke aansoek vergesel en moet afgeteken word deur die Direkteur: Finansiële Dienste of sy gevolmagtigde.

4. AANSPREEKLIKHEID VIR BETALING VAN GELDE VERSKULDIG EN BETAALBAAR AAN DIE MUNISIPALITEIT

4.1 Die persoon aanspreeklik vir die betaling van gelde verskuldig en betaalbaar aan die Munisipaliteit sal in die gevalle hierna vermeld, soos volg wees:

- (1) eiendomsbelasting – die geregistreerde eienaar van die perseel waarop dit betrekking het;
- (2) munisipale dienste – vanaf 1 Julie 2016 sal geen dienste rekening meer deur 'n huurder geopen kan word nie. Alle dienste heffings sal vir die rekening van die eienaar wees. Nieteenstaande bogenoemde kan die munisipaliteit steeds op eie diskresie dienskontrakte sluit met huurders. Aansoeke sal op meriete oorweeg word.

- (3) Huidige dienskontrakte met huurders sal voortgaan tot datum van diensbeëindiging, of eerste wanbetaling, watter ookal eerste plaasvind.
- (4) Met die sluit van die dienskontrak aanvaar die verbruiker enige koste wat gehef mag word wanneer die rekening laat betaal word, ingesluit rente.
- (5) die verbruiker of die persoon aan wie die diens gelewer is, met dien verstande dat indien die eienaar nie die verbruiker of die persoon is aan wie munisipale dienste gelewer is nie en die Munisipaliteit redelike stappe geneem het om bedrae verskuldig deur so 'n verbruiker of persoon te verhaal en sodanige bedrae nie kon verhaal nie, sal die eienaar van sodanige perseel aanspreeklik wees vir betaling van die bedrae verskuldig en betaalbaar deur so 'n verbruiker of persoon aan die Munisipaliteit, in terme van Artikel 118 (1) van die Munisipale Stelsels Wet;
- (6) huurgeld ten opsigte van die verhuring van staatsgefinansierde behuising en ander munisipale eiendom – die persoon met wie die huurooreenkoms aangegaan is en ingeval geen huurooreenkoms aangegaan is nie, die persoon wat aansoek gedoen het om die verhuurde eiendom te huur, of indien geen sodanige persoon geïdentifiseer kan word nie, die hoof van die huishouding wat so 'n perseel okkupeer of enige ander persoon wat verantwoordelikheid aanvaar vir die betaling van huurgeld verskuldig, hetsy so 'n persoon die perseel okkupeer al dan nie;
- (7) terugbetaling van behuisingslenings – die persoon of persone met wie 'n leningsooreenkoms of skuldakte gesluit is;
- (8) enige ander dienste, die persoon aan wie sodanige dienste gelewer is.

4.2 Waar 'n maatskappy, trust, beslote korporasie of 'n bestuursliggaam ingevolge die Wet op Deeltitels, 1986 (Wet No 95 van 1986) –

- die eienaar is van onroerende eiendom en/of;
- die aansoeker ingevolge paragraaf 3.1 is vir die lewering van munisipale dienste en sodanige dienste inderdaad gelewer word of gelewer is;

sal die verpligting van sodanige entiteit vir betaling van eiendomsbelasting op onroerende eiendom en/of enige bedrae verskuldig ten opsigte van munisipale dienste, uitgebrei word na die direkteure, trustees of lede daarvan wie as sulks gesamentlik en afsonderlik aanspreeklik sal wees.

4.3 Waar 'n rekening nie ten volle vereffen word nie, sal enige mindere bedrag wat aangebied en deur die Munisipaliteit aanvaar word, nie geag word as volle en finale vereffening van sodanige rekening te wees nie, tensy die Munisipale Raad skriftelik die betaling van so 'n mindere bedrag aanvaar het as volle en finale vereffening van die betrokke rekening. Aansoeke sal op meriete hanteer word.

- 4.4 Die Munisipale Bestuurder het die reg om enige skuld van 'n huurder oor te plaas na die rekening van die eienaar van dieselfde eiendom, soos vervat in Art 118 (3) van die Munisipale Stelsels Wet, Wet 32 van 2000.
- 4.5 Dit is die verantwoordelikheid van die verbruiker om sy korrekte kontakbesonderhede aan die munisipaliteit te verskaf en op datum te hou.
- 4.6 Die onus berus by die skuldenaar om 'n opgawe van sy of haar rekeninge te verkry sodat dit voor of op datum van betaling vereffen kan word. **Die nie-ontvangs van 'n rekening vrywaar nie die skuldenaar om sy rekening betyds te vereffen nie.**

5. STAKING VAN MUNISIPALE DIENSTE

- 5.1 'n Verbruiker moet vooraf 'n skriftelike kennisgewing aan die munisipaliteit gee vir die beëindig van die ooreenkoms vir die voorsiening van munisipale dienste.
- 5.2 Dit is die verantwoordelikheid van die verbruiker om die munisipaliteit in kennis stel indien dienste nie meer vereis word nie, as gevolg van die verkoop van eiendom of enige ander rede.
- 5.3 Versuim om te voldoen aan die bepalings van die bogenoemde paragraaf bly die verbruikers aanspreeklik vir alle dienste gehef en rente daarop van die datum waarop die perseel ontruim is tot die datum waarop die Raad bewus geword het van die ontruiming.
- 5.4 'n Verbruiker sal aanspreeklik wees vir alle agterstallige gelde wat betaalbaar is vir munisipale dienste gelewer voor die beëindiging van 'n ooreenkoms.

6 DATUM VAN BETALING VAN GELDE VERSKULDIG

- 6.1 Eiendomsbelasting word verskuldig en betaalbaar soos uiteengesit in die Raad se Verordening op Eiendomsbelasting asook die Eiendomsbelastingbeleid deur die Raad aanvaar.
- 6.2 Gelde betaalbaar ten opsigte van munisipale dienste word verskuldig en betaalbaar op die datum wat as sulks aangedui word op die rekening wat elke maand ten opsigte van sodanige dienste gelewer word en moet sodanige **betaling gemaak word voor of op die laaste werksdag van elke maand.**
- 6.3 Betaling van huur- en/of leningspaaielemente verskuldig ten opsigte van staatsgefinansierde behuising en/of ander munisipale eiendom moet gemaak word op die datums en ooreenkomstig die bepalings vervat in die onderskeie huur- en leningsooreenkomste.
- 6.4 Betaling van bedrae verskuldig aan die Munisipaliteit anders as eiendomsbelasting, gelde verskuldig ten opsigte van munisipale dienste en huur- en leningspaaielemente, moet gemaak word op die datum **soos** aangedui op die rekening wat aan sodanige skuldenaar ten opsigte van sodanige verskuldigde bedrag gelewer word.

6.5 Waar die laaste datum vir betaling van enige gelde verskuldig aan die Munisipaliteit op 'n dag is waarop die kantore van die Munisipaliteit gesluit is, sal die finale datum van betaling van sodanige gelde geag te wees die **voorafgaande** werksdag.

7. AKSIES GENEEM TE WORD WAAR SKULDENAARS AGTERSTALLIG RAAK OF VERSUIM OM GELDE VERSKULDIG VOOR OF OP DATUM VAN BETALING TE VEREFFEN

7.1 EIENDOMSBELASTING AGTERSTALLIG

7.1.1 Rente, ooreenkomstig die bepalings van paragraaf 8, sal gehef en betaalbaar wees op alle agterstallige bedrae.

7.1.2 Indien enige belasting of ander jaargelde onbetaald bly na die datum van betaling soos in paragraaf 6.1 aangedui, word die eienaar in kennis gestel.

7.1.3 Indien die eienaar nie reageer op die kennisgewing nie, kan die dienste gestaak word vir die nie-betaling van die eiendomsbelasting.

7.1.4 Waar die eiendom verhuur word en daar geen dienste is om te staak nie, kan die munisipaliteit in terme van artikel 28 en 29 van die Eiendomsbelasting wet, Wet 6 van 2004, beslag lê op die huurgeld betaalbaar aan die eienaar, ongeag enige ooreenkoms tussen die huurder en eienaar.

7.2 GELDE EN HEFFINGS AGTERSTALLIG TEN OPSIGTE VAN MUNISIPALE DIENSTE

7.2.1 Rente, ooreenkomstig die bepalings van paragraaf 8, sal gehef en betaalbaar wees op alle agterstallige bedrae.

7.2.2 Kan die verbruiker per elektroniese media in kennis gestel dat die rekening onbetaald is.

7.2.3 Indien bedrae verskuldig ten opsigte van munisipale dienste, of enige gedeelte daarvan, onbetaal bly na die datum van betaling soos in paragraaf 6.2 aangedui,

(1) Sal die elektrisiteitsvoorsiening vir beide die voorafbetaal en konvensionele meters na die betrokke perseel afgesluit word, en

(2) Kan die konvensionele elektrisiteitsmeter vervang word met 'n voorafbetaalde elektrisiteitsmeter.

(3) Wanneer die elektrisiteit gestaak word, moet die verbruiker die nodige reëlins tref ter afbetaling van die uitstaande rekening. Met die tref van hierdie reëling word daar ooreengekom dat die huidige rekening vereffen word en die uitstaande saldo teen 'n persentasie van die kragverkope aangewend word vir die delging van die oorblywende skulde. Die volgende maatstaf sal gebruik word vir die betaling van die koers wat gelaai word:

0 – 30 dae uitstaande	0%
31 – 60 dae uitstaande	75%
61 – 90 dae uitstaande	75%
91 – 120 dae uitstaande	75%
120 dae plus uitstaande	75%
Uitstaande reëlingspaaieimente	75% (ongeg dae uitstaande)

Genoemde koerse sal net van toepassing wees tot 'n maksimum van 3 maande waar tydens die totale agterstallige rekening opgevang en vereffen moet word/wees. Indien die rekening nie op datum gebring is nie, sal die elektrisiteits voorsiening gestaak word en geregtelike stappe geneem word soos uiteengesit in paragraaf 11 van hierdie beleid.

Wanneer 'n verbruiker gekoppel is aan 'n lewensnoodsaaklike masjien/toerusting, kan daar aansoek gedoen word om 100 eenhede Kwh aan te koop sonder enige kredietbeheer stappe. Hierdie krag word steeds teen die normale tarief gekoop. Bewys van die dokter moet die aansoek vergesel. Na die aankope sal normale kredietbeheer steeds op die rekening toegepas word.

(4) sal die Direkteur: Finansiële Dienste die diskresie kan uitoefen –

- om die voorsiening van water na die betrokke perseel te beperk deur 'n waterbeheermeganisme op die dienste aansluiting na so 'n perseel te installeer wat nagenoeg 6 kiloliter water per maand sal deurlaat;

of

- om die voorsiening van water te beperk

of

- met inagneming van die betrokke skuldenaar se rekord van betaling, die beperking of afsluiting van die voorsiening van water vir 'n tydperk van nie meer as 14 dae nie, uit te stel.

- Die vermindering van water sal as laaste uitweg gebruik word, veral waar geen alternatiewe dienste is wat gestaak kan word nie. Verbruiker sal kennisgewing kry met grasie tyd waarbinne reëlings getref kan word.

(5) Dat die volgende wysiging aan die betalingstermyn goedgekeur word, en dat klousule 7.2.4 van die kredietbeheerbeleid soos volg gewysig word:

Indien 'n persoon nie in staat is om agterstallige gelde ouer as 30 dae ten opsigte van munisipale dienste te betaal nie, die Munisipaliteit 'n ooreenkoms met sodanige persoon aangaan, in terme waarvan so 'n persoon toegelaat word om die agterstallige gelde in maandelikse paaieimente soos volg af te betaal, afbetaling van die verskuldigde bedrag binne die volgende riglyne moet geskied.

R0 – R5 000	: 06 maande
R5 001 – R20 000	: 12 maande
R20 001 en meer	: 15% van uitstaande bedrag en tydperk soos ooreengekom met die Hoof van Finansies of die gedelegeerde amptenaar.

Dat, waar die uitstaande rekening nie in 'n bekostigbare paaïement, soos vervat in klousule 7.2.3. van die beleid berekening kan word nie, 'n paaïement van 15% van die maandelikse lopende rekening, uitgesluit enige krediete wat gegee mag word, bereken word. Sodanige versoek moet aan die Rekenmeester: Kredietbeheer gestuur word, met nodige motivering oor hoekom daar afgewyk moet word van klousule 7.2.3. Die Rekenmeester: Kredietbeheer kan sodanige reëling dan goedgekeur. Enige reëling wat op die basis getref word, moet maandeliks ten volle betaal word. Indien sodanige reëling nie maandeliks ten volle vereffen word nie, sal normale kredietbeheer teen die rekening geïmplementeer word.

7.2.4 Indien 'n rekening aan 'n persoon gelewer word waarvan die verskuldigde bedrag ten opsigte van munisipale dienste buitengewoon hoog is en dit te wyte is aan –

- een of ander nalate of versuim aan die kant van die Munisipaliteit; of
- 'n lekkasie van water uit 'n waterpypleiding of afsluitkraan wat op so 'n perseel geïnstalleer is en wat nie deel vorm van die Munisipaliteit se dienste aansluiting nie

en met dien verstande dat so 'n verskuldigde bedrag regtens verskuldig en betaalbaar is deur so 'n persoon, kan die Munisipaliteit in die diskresie van die Direkteur: Finansiële Dienste, 'n ooreenkoms met sodanige persoon aangaan ingevolge waarvan so 'n persoon toegelaat word om die verskuldigde bedrag in maandelikse paaïemente af te betaal, onderworpe aan die voorbehoudsbepalings vervat in paragraaf 7.2.3 en met dien verstande dat waar so 'n hoë rekening te wyte is aan die nalate en/of versuim van die Munisipaliteit, geen rente betaalbaar sal wees ten opsigte van sodanige verskuldigde bedrag nie.

Indien enige gelde verskuldig ten opsigte van munisipale dienste gelewer, **waar die verbruiker intussen die dienste afgesluit het**, en geen ooreenkoms gesluit is vir die afbetaling van die uitstaande bedrae nie, die Direkteur: Finansiële Dienste, onderhewig aan die bepaling van paragraaf 11.3 –

- Die rekening vir gelde aldus verskuldig aan 'n skuldinvorderaar of prokureur oorhandig vir invordering indien daar na sy mening 'n redelike kans bestaan dat die skuld wel ingevorder sal kan word; (vir doeleindes hiervan sal skuldinvordering ook geag word enige beampte van die raad te wees wat met die bevoegdheid beklee is om skuld in te vorder)

7.3 AGTERSTALLIGE HUURGELDE EN/OF LENINGSPAAIEMENTE

7.3.1 Waar huur- of leningsooreenkomste voorsiening maak vir rente betaalbaar op agterstallige huurgelde of leningspaaïemente, word rente gehef ooreenkomstig die voorwaardes vervat in sodanige huur- of leningsooreenkomste.

7.3.2 'n Ooreenkoms om agterstallige bedrae in maandelikse paaiemente te betaal, kan ten enige tyd met die persoon wat sodanige gelde verskuldig is, aangegaan word onderworpe egter aan die voorwaardes en bepalings vervat in paragraaf 7.2.3 welke bepalings mutatis mutandis van toepassing sal wees.

7.3.3 Waar 'n ooreenkoms om bedrae verskuldig in maandelikse paaiemente af te betaal nie aangegaan is nie, en sodanige bedrae steeds na meer as 30 dae gereken vanaf datum van betaling uitstaande is, moet die Direkteur: Finansiële Dienste die stappe neem soos uiteengesit in paragraaf 7.2.5.

7.4 GELDE VERSKULDIG ANDER DAN GELDE TEN OPSIGTE VAN EIENDOMSBELASTING, MUNISIPALE DIENSTE, HUURGELDE EN LENINGSPAAIEMENTE

Die bepalings van paragrawe 7.3.3 ten opsigte van agterstallige huurgelde en/of leningspaaiemente is mutatis mutandis van toepassing.

8. HEFFING VAN RENTE

8.1 Rente teen die standaardkoers moet gehef en gevorder word ten opsigte van alle agterstallige bedrae wat aan die Munisipaliteit verskuldig en betaalbaar is, vir elke maand wat sodanige bedrae na die datum vermeld in paragraaf 8.2, onbetaal bly met dien verstande dat 'n gedeelte van 'n maand geag word 'n maand te wees.

8.2 Sodanige rente word gehef vanaf die dag wat volg op die datum van betaling ten opsigte van sodanige uitstaande bedrae wat op sodanige datum van betaling nog nie vereffen is nie.

8.3 Deernis gevalle word vrygestel van enige rente gehef op agterstallige rekeninge, maar nie van kredietbeheer stappe nie.

9. AFSLUITING EN HERAANSLUITING VAN DIENSTE

9.1 Ingeval die water- of elektrisiteitstoevoer na 'n perseel, ooreenkomstig die bepalings van paragrawe 7.2.3 afgesluit word, word sodanige water- of elektrisiteitstoevoer her-aangesluit slegs sodra –

(1) die bedrae verskuldig tesame met rente ten volle vereffen is of 'n ooreenkoms vir afbetaling daarvan met die skuldenaar aangegaan is ooreenkomstig die bepalings en voorwaardes vervat in paragrawe 7.2.3 en 7.2.4; en

(2) die afsluiting- en/of heraansluitingsgelde soos in die Munisipaliteit se tarief beleid vasgestel, betaal is.

10. VORDERING VAN DEPOSITO

10.1 Wanneer 'n persoon ooreenkomstig die bepalings van paragraaf 3.1 aansoek doen vir die lewering van munisipale dienste en alvorens sodanige dienste gelewer word, word 'n deposito/bankwaarborg van sodanige persoon gevorder welke deposito as sekuriteit

of gedeeltelike sekuriteit sal dien vir betaling van munisipale dienste gelewer aan so 'n persoon.

- 10.2 'n Deposito soos in paragraaf 10.1 beoog, word aangewend ter delging van of ter vermindering van bedrae deur 'n persoon aan die Munisipaliteit verskuldig vir munisipale dienste gelewer, indien so 'n skuldenaar sou verdwyn en nie gereedlik opgespoor kan word nie, of insolvent verklaar word of om welke rede ook al weier of versuim om sy of haar verpligtinge teenoor die Munisipaliteit na te kom.
- 10.3 Die bedrag van die deposito word van tyd tot tyd in die Munisipaliteit se Begroting vasgestel vir die volgende kategorieë. Minimum deposito word bereken op twee (2) maande se gebruik, behalwe waar anders gemeld-
- (1) nuwe aansoekers vir munisipale dienste (huishoudelike verbruikers);
 - (2) nuwe aansoekers vir munisipale dienste (besighede/grootmaat verbruikers);
 - (3) nuwe aansoekers vir lae koste behuising, hulpbehoewende of Staatsouderdompensioenarisse.
- 10.4 Diskresionêre bevoegdheid word aan die Direkteur: Finansiële Dienste verleen om die deposito betaalbaar deur 'n persoon, soos vasgestel ooreenkomstig paragraaf 10.4, te verhoog telkens wanneer enige munisipale diens ingevolge paragraaf 7.2.3 afgesluit of beperk word, met dien verstande egter dat 'n deposito slegs aldus verhoog mag word tot 'n maksimum bedrag soos volg bereken:
- 2½ maal die bedrag van die hoogste rekening vir munisipale dienste gelewer aan die betrokke persoon in enige maand gedurende die 12 maande wat die datum van afsluiting of beperking van die dienste voorafgaan. Waar munisipale dienste in enige gegewe stadium nog nie 12 maande lank aan 'n persoon gelewer is nie, sal die bedrag van die hoogste maandelikse rekening vir enige maand gedurende die mindere tydperk, bepalend wees.
- 10.5 Wanneer 'n persoon wat reeds 'n deposito aan die Munisipaliteit betaal het, van een perseel binne die regsgebied van die Munisipaliteit na 'n ander perseel binne die regsgebied van die Munisipaliteit verhuis, sal die normale deposito betaalbaar wees. Geen dienstedeposito word oorgedra nie.
- 10.6 Die munisipaliteit behou die reg voor om dienste deposito's ter enige tyd aan te pas om te voldoen aan die bepalings van paragraaf 10.4 hierbo.
- 10.7 Die Munisipaliteit is nie aanspreeklik vir betaling van rente op deposito's wat deur die Munisipaliteit gehou word nie
- 10.8 Wanneer 'n persoon, wat 'n deposito aan die Munisipaliteit betaal het, skriftelik versoek dat munisipale dienste wat aan hom of haar gelewer word gestaak word en dat die deposito wat aldus deur die Munisipaliteit gehou word aan hom of haar terugbetaal word, word sodanige deposito of enige gedeelte daarvan wat nie ooreenkomstig paragraaf 10.2 aangewend is nie aan sodanige persoon terugbetaal.

11. INSTELLING VAN GEREGETELIKE STAPPE

11.1 Die instelling van geregetelike stappe sluit in, maar is nie beperk nie tot –

- (1) Lys by Kredietburo as stadige/swak betaler (Word deur die Munisipaliteit self gedoen)
- (2) die dagvaarding van 'n skuldenaar vir betaling van agterstallige skuld;
- (3) die beslaglegging van huur betaalbaar op 'n eiendom;
- (4) die beslaglegging op die besoldiging van 'n skuldenaar;
- (5) die beslaglegging en geregetelike verkoping van roerende goed;
- (6) die beslaglegging en geregetelike verkoping van onroerende eiendom;
- (7) die uitsetting van 'n huurder uit 'n verhuurde eiendom in die geval van huurgelde verskuldig aan die Munisipaliteit ten opsigte van so 'n verhuurde eiendom.

11.2 Die instelling van geregetelike stappe word geneem met inagneming van alle wetlike vereistes en die nakoming van wetlike voorskrifte en prosedure reëlins in dié verband.

11.3 Diskresionêre bevoegdheid word aan die Direkteur: Finansiële Dienste verleen om te besluit of –

- (1) 'n rekening aan 'n skuldinvorderaar of 'n prokureur vir invordering oorhandig moet word en, of
- (2) geregetelike stappe teen 'n skuldenaar ingestel moet word;

in daardie gevalle waar die totale skuld van 'n skuldenaar 'n bedrag soos deur die Direkteur: Finansiële Dienste bepaal oorskry.

By die uitoefening van hierdie bevoegdheid neem die Direkteur: Finansiële Dienste slegs as enigste oorweging in ag of dit koste-effektief sal wees om sodanige rekening vir invordering te oorhandig en/of geregetelike stappe teen die skuldenaar in te stel al dan nie.

11.4 Die Direkteur: Finansiële Dienste sal die bevoegdheid hê om te bepaal welke van die geregetelike stappe in paragraaf 11.1 vermeld die mees aangewese en doeltreffendste stap sal wees ten opsigte van elk en iedere skuldenaar teen wie geregetelike stappe ingevolge hierdie beleid van die raad ingestel moet word.

HOOFSTUK 4

ALGEMENE BEPALINGS

12. KOSTE VAN INVORDERING

Die Munisipaliteit sal alle reghskoste, invorderingskommissie en enige ander kostes wat deur die Munisipaliteit aangegaan mag word om die gelde verskuldig deur 'n skuldenaar aan die Munisipaliteit, in te vorder, teen die rekening van sodanige skuldenaar hef en dit van hom of haar verhaal.

14. TOEGANG TOT PERSELE

Die bewoner van 'n perseel in die reghsgebied van die Munisipaliteit moet te alle redelike ure aan 'n gemagtigde verteenwoordiger van die Munisipaliteit of van 'n diensverskaffer, toegang verleen tot die perseel ten einde enige meter- of diensverbinding vir verspreiding te lees, te inspekteer, te installeer of te herstel of om die verskaffing van 'n munisipale diens af te sluit of dit te beperk.

Waar toegang nie moontlik is nie, aanvaar die eienaar verantwoordelikheid vir die koste vir die skuif van die meteringstoestel.

15. VEILIGE AKKOMMODASIE VAN DIENSAANSLUITINGS, METERS, AFSLUITKRANE, APPARAAT ENS.

Waar water en/of elektrisiteit aan 'n perseel gelewer word, is die verbruiker van sodanige dienste verantwoordelik vir die veilige akkommodasie van enige diens aansluitings, meters, afsluitkrane, diensbeveiligingstoestelle en -toerusting wat op sodanige perseel is en is die verbruiker ook aanspreeklik vir vergoeding aan die Munisipaliteit vir enige koste of verliese of skade wat die Munisipaliteit ten opsigte daarvan mag aangaan of ly.

16. DIEFSTAL, SKADE EN ONGEMAGTIGDE GEBRUIK VAN WATER EN ELEKTRISITEIT

16.1 Geen persoon mag:

- (1) op enige wyse of om enige rede hoegenaamd aan enige diens aansluiting, meter, afsluitkraan, diensbeveiligingstoestel en -apparaat, seëls of hooftoevoerleiding, wat geïnstalleer is om water en/of elektrisiteit te voorsien te meet of te beperk, peuter of beskadig of breek of hom of haar daarmee bemoei of dit verwyder nie;
- (2) enige waterpyplyn of -pypleiding of netwerk of 'n elektriese installasie regstreeks of onregstreeks aansluit, probeer aansluit of duld of toelaat dat dit aangesluit word by die Munisipaliteit se hooftoevoerleiding of diens-

aansluiting nie, tensy sodanige persoon skriftelik deur die Munisipaliteit spesifiek daartoe gemagtig is.

- (1) enige wateraansluiting of elektriese installasie wat, vir welke rede ook al, deur die Munisipaliteit afgesluit is, heraansluit, probeer heraansluit of duld of toelaat dat dit heraangesluit word by die Munisipaliteit se hooftoevoerleiding of diens aansluitings nie, tensy sodanige persoon skriftelik deur die Munisipaliteit spesifiek daartoe gemagtig is.
- (2) water of elektrisiteit, wat op 'n onregmatige wyse verkry is, gebruik nie.

16.2 Die Munisipale Bestuurder moet, sodra dit tot sy kennis kom en hy oor voldoende feitelike getuienis beskik dat 'n oortreding van enige van die bepalings van paragraaf 16.1 plaasgevind het, 'n strafregtelike vervolging teen die persoon wat vermoedelik so 'n oortreding begaan het, instel.

16.3 Benewens en ondanks strafregtelike vervolging en oplegging van gevangenisstraf en/of 'n boete ingevolge enige verordening deur die Munisipaliteit gemaak of ingevolge enige ander Wet, regulasie of verordening, aan enige persoon wat hom of haar skuldig maak aan 'n oortreding in paragraaf 16.1 vermeld, sal die Munisipaliteit geregtig wees om –

- (1) enige koste of skade of verliese wat die Munisipaliteit mag aangaan, opdoen of mag ly as gevolg van sodanige oortredings van sodanige persoon te verhaal, wat insluit die boete soos bepaal deur die Raad se tariefstruktuur, koste van nuwe meter, asook enige ander koste wat nodig is om die aansluiting te beveilig, en
- (2) ingeval water en/of elektrisiteit onregmatig verbruik is, die persoon wat dit onregmatig verbruik het aan te slaan vir betaling van 'n verbruik bereken ooreenkomstig die bepalings van paragraaf 2.2.4. Sodanige verbruike word teen die tarief bereken soos van toepassing op die datum wat die ongemagtigde gebruik bepaal is.
- (3) die voorsiening van water en/of elektrisiteit aan die betrokke perseel summier af te sluit.
- (4) Volle uitstaande bedrag van die rekeninghouer te eis alvorens die diens weer aangesluit word, of 'n aanvaarbare reëling aan te gaan vir die betaling van die rekening.

17. ONDERTEKENING VAN KENNISGEWINGS EN DOKUMENTE

'n Kennisgewing of dokument uitgereik deur die Munisipaliteit ingevolge 'n verordening gemaak deur die Munisipaliteit en wat onderteken is deur 'n personeellid van die Munisipaliteit word geag behoorlik uitgereik te wees en moet by blote voorlegging daarvan deur die hof aanvaar word as getuienis van daardie feit

18. WAARMERK VAN DOKUMENTE

Enige bestelling, kennisgewing of ander dokument wat deur die Munisipaliteit gewaarmerk moet word, word as voldoende gewaarmerk geag indien dit onderteken is

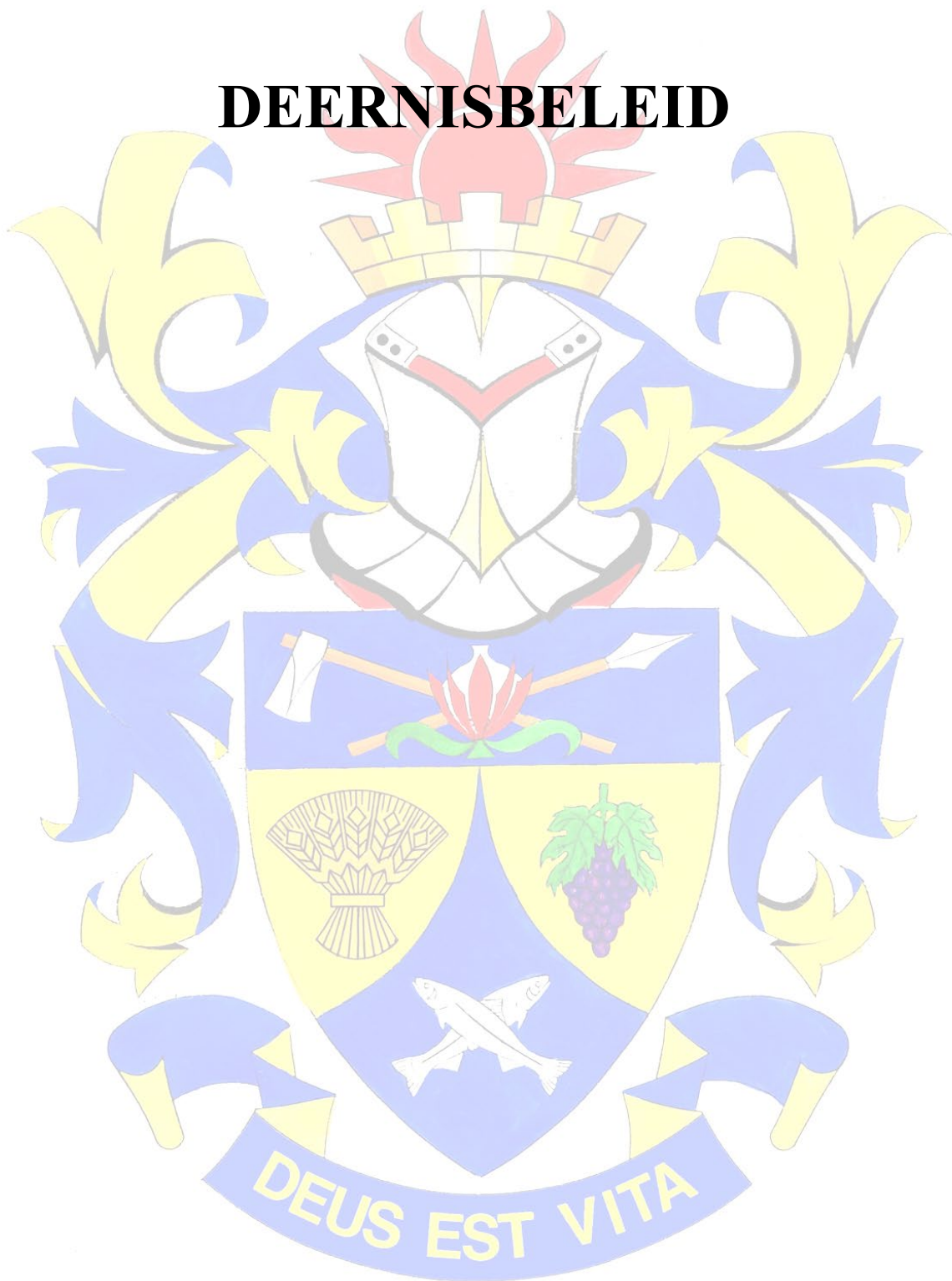
deur die Munisipale Bestuurder of 'n behoorlik gemagtigde beampte van die Munisipaliteit aan wie sodanige bevoegdheid opgedra is by wyse van 'n besluit van die raad van die Munisipaliteit of kragtens 'n verordening

19. PRIMA FACIE GETUIENIS

In regsgedinge wat deur die Munisipaliteit aanhangig gemaak word, moet die blote voorlegging van 'n sertifikaat wat die bedrag verskuldig en betaalbaar aan die Munisipaliteit reflekteer, en onderteken is deur die Munisipale Bestuurder, of 'n toepaslik gekwalifiseerde beampte wat deur die Munisipale Bestuurder daartoe gemagtig is, deur die hof aanvaar word as prima facie bewys dat die bedrag verskuldig is.

BERGRIVIER MUNISIPALITEIT

DEERNISBELEID



INHOUDSOPGAWE

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INLEIDING

Ingevolge artikel 96 van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 moet 'n Munisipaliteit –

- alle gelde invorder wat aan hom verskuldig en betaalbaar is, behoudens die bepalings van die Wet en enige ander toepaslike wetgewing; en
- vir dié doel, 'n kredietbeheer- en skuldinvorderingsbeleid aanneem, in standhou en implementeer wat nie strydig is nie met sy eiendomsbelastingbeleid en sy tariefbeleid en wat aan die bepalings van die Wet voldoen.

Ten einde uitvoering te gee aan die voorafgaande bepalings van die Wet het die raad van die Munisipaliteit Bergrivier 'n kredietbeheer- en skuldinvorderingsbeleid, soos hierna uiteengesit, aanvaar.

HOOFSTUK 1

WOORDOMSKRYWING

1. Vir die doeleindes van hierdie beleidsdokument het enige woord of uitdrukking waaraan 'n bepaalde betekenis geheg is in die Wet, dieselfde betekenis, tensy uit die samehang anders blyk, en beteken -

“Direkteur: Finansiële Dienste” 'n persoon wat deur die raad in dié hoedanigheid aangestel is om die raad se finansies te administreer en sluit enige persoon in –

- (1) wat in sodanige pos waarneem;
- (2) aan wie die Direkteur: Finansiële Dienste 'n bevoegdheid, funksie of verpligting gedelegeer het ten opsigte van sodanige gedelegeerde bevoegdheid, funksie of verpligting;

“eienaar” met betrekking tot onroerende goed—

- (1) die persoon by wie die regstitel daarvan berus;
- (2) in die geval waar die persoon by wie die regstitel daarvan berus, insolvent of oorlede is, of aan enige vorm van wetlike diskwalifikasie onderhewig is, dié persoon in wie die administrasie of beheer van sodanige onroerende goed berus as kurator, trustee, eksekuteur, administrateur, geregtelike bestuurder, likwidateur of enige ander wetlike verteenwoordiger;
- (3) in enige geval waar die raad nie in staat is om die identiteit van so 'n persoon te bepaal nie, 'n persoon wat geregtig is op die voordelige gebruik van sodanige onroerende goed;
- (4) in die geval van onroerende goed waarvoor 'n huurooreenkoms van 30 jaar of langer aangegaan is, die huurder daarvan;
- (5) met betrekking tot –

- (i) 'n gedeelte grond afgebaken op 'n deeltitelplan en wat geregistreer is ingevolge die Wet op Deeltitels, 1986 (Wet No. 95 van 1986), die ontwikkelaar of die bestuursliggaam ten opsigte van die gemeenskaplike eiendom;
 - (ii) 'n gedeelte grond soos gedefinieer in dié Wet, die persoon in wie se naam dié gedeelte geregistreer is ingevolge 'n deeltitelakte, insluitende die wettige aangestelde verteenwoordiger van sodanige persoon;
- (6) enige regspersoon insluitende, maar nie beperk nie tot:
- (i) 'n maatskappy geregistreer ingevolge die Wet op Maatskappye, 1973 (Wet No 61 van 1973), 'n trust *inter vivos*, trust *mortis causa*, 'n beslote korporasie geregistreer ingevolge die Wet op Beslote Korporasies, 1984 (Wet No 69 van 1984), en 'n vrywillige assosiasie;
 - (ii) enige staatsdepartement;
 - (iii) enige raad of bestuursliggaam ingestel ingevolge enige wetgewing van toepassing in die Republiek van Suid-Afrika; en
 - (iv) enige ambassade of ander buitelandse entiteit;

“hulpbehoewende huishouding” 'n huishouding wat as sulks by die Munisipaliteit geregistreer is en wat –

- (1) aan die kwalifikasie vereistes soos bepaal in paragraaf 21 hiervan, voldoen;
en
- (2) 'n perseel binne die regsgebied van die Munisipaliteit okkupeer;

“Munisipale Bestuurder” die persoon wat deur die raad in dié hoedanigheid aangestel is ingevolge artikel 82 van die Wet op Plaaslike Regering: Munisipale Strukture Wet No 117 van 1998 en sluit enige persoon in –

- (1) wat in sodanige pos waarneem;
- (2) aan wie die Munisipale Bestuurder 'n bevoegdheid, funksie of verpligting gedelegeer het ten opsigte van sodanige gedelegeerde bevoegdheid, funksie of verpligting;

“munisipale dienste” die voorsiening van water, die voorsiening van elektrisiteit, die verwydering van huisvullis, die wegdoen van rioolvuil of enige een of kombinasie van dié dienste;

“Munisipaliteit” die Munisipaliteit Bergrivier

“perseel” enige gedeelte grond, geleë binne die regsgebied van die munisipaliteit, waarvan die buite grense afgebaken is op:

- (1) 'n algemene plan of diagram wat geregistreer is ingevolge die Opmetingswet, 1927 (Wet no. 9 van 1927) of die Registrasie van Aktes Wet, 1937 (Wet no. 47 van 1937) of;
- (2) 'n deeltitelplan geregistreer ingevolge die Wet op Deeltitels, 1986 (Wet no. 95 van 1986);

“raad” die munisipale raad van die Munisipaliteit Bergrivier

“rekening” sluit in-

- (1) heffings, bobelasting of dienstegelde ten opsigte van die volgende dienste:
elektrisiteitsverbruik;
waterverbruik;
vullisverwydering;
riool dienste;
- (2) eiendomsbelasting;
- (3) huurgeld;
- (4) lenings paaieimente;
- (5) rente op agterstallige bedrae;
- (6) enige ander heffings en gelde wat regtens aan die Munisipaliteit verskuldig is;

en het **die “munisipale rekening”** 'n ooreenstemmende betekenis;

"openbare welsynsorganisasie" beteken 'n organisasie wat gespesifiseerde openbare welsynsaktiwiteite uitvoer soos omskryf in die Wet en geregistreer is ingevolge die Inkomstebelastingwet vir belastingvermindering as gevolg van daardie aktiwiteite

HOOFSTUK 2

FINANSIËLE BYSTAND AAN HULPBEHOEWENDE HUISHOUDINGS

INLEIDING

Bergrivier Munisipaliteit se visie is om 'n vooruitstrewende gemeenskap te skep waar almal wil leef, werk, leer en speel op 'n menswaardige manier. Die klem is op vooruitstrewendheid en menswaardigheid. Dit is twee kante van dieselfde muntstuk. Die Munisipaliteit wil voluit gaan vir vooruitstrewendheid, maar nie ten koste van menswaardigheid nie. Aan die anderkant word daar voluit gegaan vir menswaardigheid, maar nie ten koste van vooruitstrewendheid nie.

Hiermee ingedagte wil die Munisipaliteit 'n kultuur skep waar hulpbehoewende gesinne nie slegs 'n toelaag ontvang nie, maar waar die ontvangs van 'n toelaag (gratis basiese dienste) gekoppel word aan 'n verantwoordelikheid wat bereikbaar is en wat menswaardigheid kweek.

Bergrivier Munisipaliteit het soos baie ander gedeeltes in Suid-Afrika, 'n bewese uitdaging ten opsigte van ontydige skoolverlaters. In Bergrivier Munisipale Area is dit tot so hoog soos 40% (2015 Onderwys Departement statistiek). Om hierdie rede word daar van elke hulpbehoewende gesin, wat registreer vir gratis basiese dienste, verwag om te bewys dat alle kinders wat op die perseel woonagtig is, en wat wetlik verplig is om skoolgaande te wees, wel skoolgaande is. Die bewys hiervan sal tydens registrasie gelewer word en slegs die nuutste amptelike skoolrapport/skooluitslagadvies sal aanvaar word. Verder hiertoe sal ouers ook van 1 Julie 2019 'n "letter of good standing" van die skool moet kry, hierdie brief dui nie aan of skoolfonds betaal is nie, maar die ouer se betrokkenheid by die kind se skoolwerk en skool aktiwiteite in geheel.

2. BRON VAN FINANSIËLE BYSTAND

Finansiële bystand aan 'n hulpbehoewende huishouding word gefinansier uit –

- (1) finansiële toekennings deur die Nasionale Regering aan die Munisipaliteit vir dié doel, en
- (2) 'n bewilliging vir dié doel deur die Munisipaliteit en word die bedrag van sodanige bewilliging jaarliks deur die Raad bepaal tydens die opstel van die Raad se begroting.

3. VEREISTES VIR REGISTRASIE AS 'N HULPBEHOEWENDE HUISHOUDING

'n Huishouding wat as 'n hulpbehoewende huishouding wil registreer en vir finansiële bystand ingevolge die raad se beleid in dié verband in aanmerking wil kom, kan slegs as sulks geregistreer word indien –

- (a) die totale inkomste van al die lede van die huishouding wat normaalweg op 'n perseel woonagtig is, insluitende die inkomste van enige ander persoon wat saam

met die huishouding op sodanige perseel woon, **bereken word as twee staatspensioene plus 40%; tot 'n maksimum bedrag van R 5,000.00 per maand per huishouding.**

OF

- (b) die hoof van die huishouding in wie se naam die rekening geregistreer is, 'n Staatsouderdomspensioen of ongeskiktheidstoelae ontvang¹.

OF

- (c) seisoenwerkers se jaarlikse inkomste nie die perk oorskry soos in 1(a) bepaal nie
- (1) die hoof van die huishouding en sy of haar gesin self die perseel waarop die aansoek betrekking het, **voltyds** bewoon; en
- (2) die hoof van die huishouding en/of sy of haar gade en/of hul wettige kinders wat saam met hul ouers op 'n perseel woonagtig is, nie die wettige eienaar is van 'n ander woning/eiendom nie; en
- (3) aansoek om registrasie op 'n vorm wat deur die Munisipaliteit vir dié doel voorgeskryf is en wat by enige kantoor van die Munisipaliteit verkrygbaar is, gedoen is.

4. AANSOEK OM REGISTRASIE

4.1 Alle aansoek in terme van paragraaf 3.1 (b) **moet** vergesel word van die volgende besonderhede:

- (1) bewys van beide eenaars se staatspensioen of ongeskiktheidstoelaag wat ontvang word, tesame met 'n afskrif van die Sassa kaart, en
- (2) Munisipale rekening; en
- (3) 'n gesertifiseerde afskrif van die aansoeker(s) se identiteitsdokument; en
- (4) Vanaf 1 Julie 2023 sal die aansoeker 'n permanente deernis geval word, en sal die aansoeker nie weer hoof aansoek te doen totdat die omstandighede verander nie.

4.2 Alle aansoek in terme van paragraaf 3.1 (a & c) **moet** vergesel word van die volgende besonderhede:

- (1) dokumentêre bewys van die bruto-inkomste van al die persone woonagtig op 'n perseel, soos 'n brief van 'n werkgewer waarin die bruto salaris of loon van die betrokke persoon verklaar en gesertifiseer word, 'n salarisadviesstrokie, 'n pensioenkaart, 'n werkloosheidsversekeringskaart;
- (2) seisoenwerkers moet 'n IRP5 van die werkgewer inhandig vir die voorafgaande 12 maande voor die datum van aansoek; en

- (3) 'n beëdigde verklaring deur daardie persone woonagtig op die perseel wat geen inkomste het nie, waarin verklaar word dat sodanige lid werkloos is en nie in ontvangs van inkomste van enige aard is nie; en
 - (4) Munisipale rekening; en
 - (5) 'n gesertifiseerde afskrif van die aansoeker se identiteitsdokument; en
 - (6) die name en identiteitsnommer van alle persone wat op 'n bepaalde perseel woonagtig is; en
 - (8) Bewys dat alle kinders woonagtig op die perseel wat van wetlike skoolgaande ouderdom is, wel skoolgaande is. 'n Afskrif van die nuutste skoolrapport van elke skoolier moet ingehandig word, asook 'n "letter of goodstanding" (brief van toewyding) soos per vervat in die inleiding tot Finansiële bystand aan hulpbehoewende huishoudings.
- 4.3 Dit sal van die hoof van 'n huishouding, wat aansoek om registrasie as 'n hulpbehoewende huishouding doen, vereis word om te verklaar dat alle inligting wat op die aansoekvorm en ander dokumentasie verstrekkend word, waar en korrek is.
- 4.4 Die Munisipaliteit of sy gemagtigde agent kan deur sy gemagtigde verteenwoordiger enige stappe wat nodig mag wees, neem om die korrektheid van inligting wat deur 'n aansoeker verstrekkend word, na te gaan en/of die korrektheid daarvan te verifieer insluitende onderhoude met en die afneem van verklarings van lede van 'n huishouding.
- 4.5 Die Munisipaliteit of sy gemagtigde verteenwoordiger sal ten minste een keer per jaar die aansoeker besoek ten einde die korrektheid van alle inligting te verifieer.
- 4.6 Die lys van hulpbehoewende/deernisgevalle aan die wykskomitee lede beskikbaar gestel word.
- 4.7 Openbare Welsynsorganisasies wat geregistreer is in terme van die Inkomstebelasting wet, kan aansoek doen op die voorgeskrewe vorm, en moet bewys van registrasie by SARS, asook volledige beskrywing van die aktiwiteite wat uitgevoer word, indien by aansoek. Enige ander inligting wat benodig word kan ook addisioneel aangevra word.

5. OORWEGING VAN AANSOEKE

- 5.1 'n Aansoek ontvang ooreenkomstig die bepalings van paragraaf 4.1 sal deur die Munisipaliteit oorweeg word en indien die Munisipaliteit tevrede is dat die aansoeker ooreenkomstig die bepalings van paragraaf 3 kwalifiseer, sal so 'n huishouding as hulpbehoewende huishouding geregistreer word.
- 5.2 Die Munisipaliteit sal die reg hê om 'n aansoek af te keur indien die jaarlikse bewilliging vir finansiële bystand aan hulpbehoewende huishoudings, waarna in paragraaf 2 verwys word, te enige tyd uitgeput is of uitgeput word.

- 5.3 Indien 'n huishouding as 'n hulpbehoewende huishouding geregistreer word, word finansiële bystand aan sodanige huishouding verleen ooreenkomstig die bepalings van paragraaf 6.1, met dien verstande egter dat –
- (1) alle huishoudings soos gemeld in paragraaf 3.1 (a & c) jaarlikse voor 30 Junie aan die Direkteur: Finansiële Dienste en tot sy bevrediging, bewys lewer dat so 'n huishouding steeds aan die vereistes van paragraaf 2 voldoen;
 - (2) indien 'n huishouding te eniger tyd na verstryking van 'n vier maande siklus in gebreke gebly het of geweier het om bewys of bevredigende bewys ten opsigte van die kwalifikasie vereistes waarna in paragraaf 2 verwys word ooreenkomstig sub-paragraaf (1) hierbo te lewer, word alle finansiële bystand aan so 'n huishouding onverwyld opgeskort tot tyd en wyl sodanige bewys, behoudens die bepalings van paragraaf 7.1 (2), gelewer word.

6. AANWENDING VAN EN BEPERKING OP FINANSIËLE BYSTAND

- 6.1 Onderworpe aan die volhoubaarheid en bekostigbaarheid daarvan met in agneming van die bepalings van paragraaf 5.2, sal finansiële bystand aan 'n hulpbehoewende huishouding wat vir sodanige bystand kwalifiseer, beperk wees tot en aangewend word vir vereffening of gedeeltelike vereffening van die volgende munisipale dienste en tariewe:
- (1) 50 kWh elektrisiteit per maand vir 'n huishouding ten opsigte waarvan die elektrisiteit aansluiting beperk is tot 20 ampère;
 - (2) 6 Kiloliter water per maand
 - (3) Basiese fooi ten opsigte van water
 - (4) rioolgelde ten opsigte van die een rioolaansluiting of die gelde betaalbaar ten opsigte van die pomp van 'n suigtenk tot 'n bedrag gelyk aan die tarief vasgestel vir 'n eerste riool pan
 - (5) vullisverwyderingsgelde.
- 6.2 Die Munisipaliteit sal die reg hê om minstens een keer per jaar tydens die begrotingsproses, maar ook as tussentydse maatreël, op enige ander stadium, die mate waartoe finansiële bystand aan kwalifiserende hulpbehoewende huishoudings toegestaan kan word te bepaal of te herbepaal, insluitende die koers waarteen en ten opsigte van welke munisipale dienste finansiële bystand verleen kan word.
- 6.3 Waar 'n voorafbetaalde elektrisiteitsmeter op 'n perseel, wat deur 'n kwalifiserende hulpbehoewende huishouding geokkupeer word, geïnstalleer is, en mits die elektrisiteitsaansluiting beperk is tot 20 ampère, sal sodanige huishouding eweneens in aanmerking kom vir finansiële bystand ten opsigte van elektrisiteitsverbruik en wel tot die mate soos bepaal by paragraaf 6.1 (1).
- 6.4 Die huishouding mag een keer van ampère verander van 60 na 20 ampère. Indien die verbruiker se krag verbruik nie die toegelate 20 ampère kan hanteer nie sal die ampère

weer verander word na 60 ampère en sal die koste van die verbruiker verhaal word wanneer die aansluiting buite kantoor ure weer aangesluit moet word. Meters wat beperk word tot 20 ampère kan op 'n gereelde basis nagegaan word vir korrektheid.

'n Krediet op sodanige rekening verwerf, word aangewend ter vereffening van eiendomsbelasting verskuldig of bedrae verskuldig ten opsigte van enige van die ander munisipale dienste

7. KANSELLASIE VAN REGISTRASIE

7.1 Registrasie as 'n hulpbehoewende huishouding word in die volgende gevalle gekanselleer en verbeur sodanige huishouding alle finansiële bystand wat aan die betrokke huishouding toegestaan is vir die onverstreke termyn waarvoor die bystand toegestaan is:

- (1) waar dit bevind word dat valse inligting in die aansoekvorm of ander dokumentasie en/of verklarings verstrekkend is;
- (2) indien die hoof van die hulpbehoewende huishouding na verloop van 30 dae nadat finansiële bystand aan so 'n huishouding ooreenkomstig paragraaf 5.3 opgeskort is, weier, versuim of in gebreke bly om die inligting soos vereis by paragraaf 5.3 aan die Munisipaliteit te verstrek;
- (3) indien dit bevind word dat omstandighede sodanig verander het dat die hulpbehoewende huishouding nie meer voldoen aan een of meer van die vereistes vir registrasie, soos vermeld in paragraaf 4.1 nie;

7.2 Die onus rus op die hoof van die hulpbehoewende huishouding om die Munisipaliteit in kennis te stel sodra omstandighede ter enige tyd sodanig verander dat daar nie meer voldoen word aan die vereistes van paragraaf 4 nie en terselfdertyd volledige besonderhede van sodanige veranderde omstandighede aan die Munisipaliteit te verstrek.

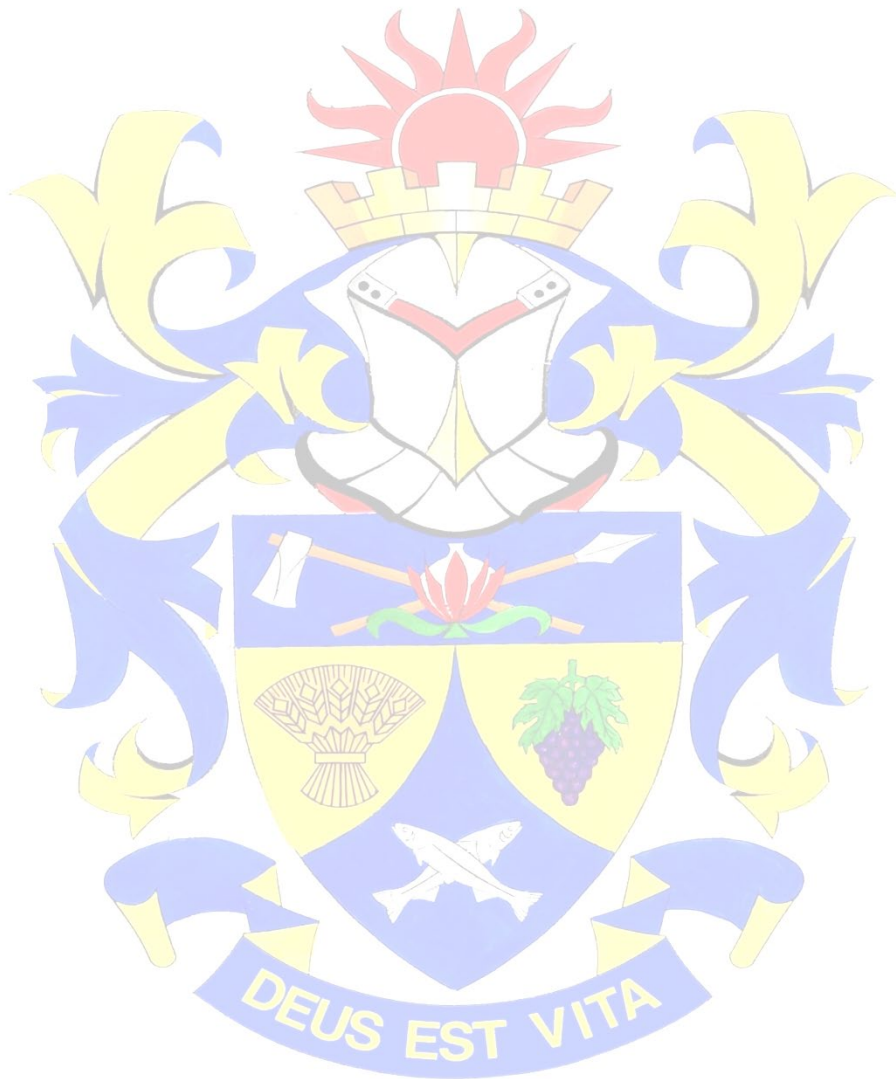
7.3 Nieteenstaande enigiets andersluidend hierin vervat, sal die Munisipaliteit geregtig wees om, benewens die strafregtelike vervolging van die hoof of enige lid van so 'n huishouding, die finansiële bystand toegestaan en ingevolge die bepalings van paragraaf 24 aangewend, terug te vorder –

- (1) in die geval vermeld in paragrafe 7.1 (1) en (2) – vanaf die datum waarop die finansiële bystand toegestaan is; en
- (2) in die geval vermeld in paragraaf 7.1 (3) – vanaf die datum waarop die omstandighede waarna in paragraaf 7.1 (3) verwys word, verander het of indien so 'n datum nie vasgestel kan word nie, vanaf die datum waarop dit vasgestel is dat die betrokke huishouding nie meer aan die kwalifiserende vereistes voldoen nie.

7.4 Ingeval die registrasie van 'n hulpbehoewende huishouding ingevolge die bepalings van paragraaf 7.1 (1) beëindig word, sal sodanige huishouding vir 'n periode van 2 – 5 jaar van kansellasië datum, nie weer in aanmerking kom vir finansiële bystand nie.

BERGRIVIER MUNICIPALITY

RATES POLICY



RATES POLICY MARCH 2022

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PREAMBLE

WHEREAS section 3 of the Local Government: Municipal Property Rates Act, 2004 (No 6 of 2004) determines that a municipality must adopt a rates policy in accordance to the determination of the Act; and

In terms of section 229 of the Constitution of the Republic of South Africa, 1996, a municipality may impose rates on property; and

In terms of the Local Government: Municipal Property Rates Act, 2004 (no 6 of 2004) 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 powers 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 and

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 alia*, rates on property; and

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.

NOW THEREFORE the following policy on the levying of property rates is accepted.

1. OBJECTIVES:

In developing and adopting this rates policy, the council has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, namely that:

- the Constitution requires local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
- there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities; and
- revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and
- it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.

In applying its rates policy, the council shall adhere to all the requirements of the Property Rates including any regulations promulgated in terms of that Act.

The objectives of this policy are also to ensure that-

- all ratepayers within a specific category are treated equal and reasonable;
- All rates levied are affordable. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions or rebates.
- rates are levied in accordance with the market value of the property;
- the rate will be based on the value of all rateable property in that category and the amount required by the municipality to balance the operational

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budget, taking into account the surplus obtained from the trading- and economical services and the amounts required to finance exemptions, reductions and rebates that the municipality may approve from time to time;

- income derived from rates will be used to finance community- and subsidised services only;
- to optimally safeguard the income base of the municipality through exemptions, reductions and rebates that are reasonable and affordable taking into account the poor/indigent ratepayers;
- In order to minimize major shocks to certain ratepayers the market values in the new valuation roll or tariffs determined by Council may be phased-in over the entire periods as stipulated in the Rates Act.
- to adhere to the legal requirements of the Property Rates Act.

2. DEFINITIONS

In this policy, unless the context indicates otherwise—

“Act”, means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) as amended

“Agent”, in relation to the owner of a property, means a person appointed by the owner of the property –

- (a) to receive rental or other payments in respect of the property on behalf of the owner; and/or
- (b) to make payments in respect of the property on behalf of the owner;

“accommodation establishment” means a facility zoned for single residential purposes, that provides for lettable residential accommodation on a regular and continuous basis in addition to its permitted use for a single family and includes guesthouses, “bed & Breakfast” and “Self-catering” establishments;

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“Agricultural property”, means property that is used primarily for agricultural purposes and excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of ecotourism or for the trading in or hunting of game.

“annually” means once every financial year;

“business” means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

“category” –

- (a) in relation to property, means a category of property determined in terms of section 8 (2) of the Act;
- (b) in relation to owners of property, means a category of owners determined in terms of section 15 (2) of the Act;

“district municipality” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155 (1) of the Constitution as a Category C municipality;

“exclusion” in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17 of the Act;

“exemption” in relation to the payment of a rate, means an exemption granted in terms of section 15 of the Act;

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“financial year” means the period starting from 1 July in a year to 30 June of the next year;

“household income” means the income accruing to all members of the household permanently residing at the address. It includes income of spouses;

“income tax act” means the Income Tax Act ,1962 (Act 58 of 1962)

“indigent person” means a person whose household income does not exceed the minimum household income as predetermined by the council;

“land reform beneficiary” in relation to a property, means a person who-

- (a) acquired the property through-
 - (i) the Provincial Land and Assistance Act, 1993 (Act 126 of 1993);
 - (ii) the Restitution of Land Rights Act, 1994 (act 22/1994);
- (b) holds the property subject to the Communal Property Associations Act, 1996 (Act 28 of 1996); or
- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

“land tenure right” means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004

“local community”, in relation to a municipality—

- (a) means that body of persons comprising—
 - (i) the residents of the municipality;
 - (ii) the ratepayers of the municipality;

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- (iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and
 - (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.
- (b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons.

“local municipality” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

“market value”, in relation to a property, means the value of the property determined in accordance with section 46 of the Act;

“MEC for Local Government” means the member of the Executive Council of a province who is responsible for local government in that province;

“mining” means any operation or activity for extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto;

“minister” means the Cabinet member responsible for local government;

“multiple purposes”, in relation to a property, means the use of a property for more than one purpose, subject to section 9 of the MPRA, 2004 (Act 6 of 2004) and cannot be assigned to a single category.

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“municipal council” or **“council”** means a municipal council referred to in section 18 of the Municipal Structures Act;

“Municipal Finance Management Act” means the Local Government; Municipal Finance Management Act, 2003 (Act 56 of 2003);

“municipality”—

- (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
- (b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act. 27 of 1998);

“municipal manager” means a person appointed in terms of section 82 of the Municipal Structures Act;

“municipal properties” means those properties of which the municipality is the owner;

“Municipal Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);

“newly rateable property” means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date;

“occupier”, in relation to a property, means a person in actual occupation of a property whether or not that person has a right to occupy the property;

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“Office bearer”, in relation to places of public worship, means the primary person who officiates at services at that place of worship.

“Official residence”, in relation to places of public worship, means

- a) a portion of the property used for residential purposes; or
- b) one residential property, if the residential property is not located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.

“owner”—

- (a) in relation to property referred to in paragraph (a) of the definition of “property”, means—
 - a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered; or
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
 - (i) A trustee, in the case of a property in a trust excluding state trust land;
 - (ii) an executor or administrator, in the case of a property, in a deceased estate;
 - (iii) a trustee or liquidator, in the case of a property, in an insolvent estate or in liquidation;
 - (iv) a judicial manager, in the case of a property, in the estate of a person under judicial management;

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- (v) a curator, in the case of a property, in the estate of a person under curatorship;
- (vi) an usufructuary or other person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) a buyer, in the case of a property that was sold and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of –

- (a) any restrictions imposed by –
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties; or
- (b) any alleviation of any such restrictions;

“person” includes an organ of the state;

“Place of public worship”, means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is—

- i. registered in the name of the religious community;
- ii. registered in the name of a trust established for the sole benefit of a religious community; or
- iii. subject to a land tenure right

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“private open space” means any land in private ownership used primarily as a private site for play, rest or recreation without financial gain.

“property” means—

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

“property register” means a register of properties referred to in section 23 of the Act;

“protected area” means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management: Protected Areas Act, 2003;

“public benefits organisation” means an organisation conducting specified public benefit activities as defined in the act and registered in terms of the Income Tax Act for tax reductions because of those activities.

“publicly controlled” means owned by or otherwise under the control of an organ of the state, including-

- (a) a public entity listed in the Public Finance Management Act, (Act 1/1999)
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act

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“public service infrastructure” means publicly controlled infrastructure as determined in terms of chapter 1 of the Local Government: Municipal Property Rates Act (Act 6/2004)

“Public Service Purposes”, in relation to the use of a property, means property owned and used by an organ of state as—

- (a) hospitals or clinics;
- (b) schools, pre-schools, early childhood development centres or further education and training colleges;
- (c) national and provincial libraries and archives;
- (d) police stations;
- (e) correctional facilities; or
- (f) courts of law, but excludes property contemplated in the definition of ‘public service infrastructure’

“rate” means a municipal rate on property envisaged in section 229(1)(a) of the Constitution;

“rateable property” means property on which a municipality may in terms of section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act;

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

“rebate”, in relation to a rate payable on a property, means a discount on the amount of the rate payable on the property;

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“Reduction”, in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property at that lower amount;

“Residential property” means property included in a valuation roll in terms of section 48 (2) (b) of the Act (read with section 8) as residential inclusive of a suite of rooms which forms a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding accommodation establishments, bed & breakfast, hotel, guest house, commune, boarding and undertaking, hostel, place of instruction and sectional title units.

“Sectional Titles Act” means the Sectional Titles Act, 1986 (Act 95 of 1986)

“Sectional title unit” means a unit defined in section 1 of the Sectional Titles Act;

“Specified public benefit activity” means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act:

“State-owned properties” means properties owned by the State, which are not included in the definition of public service infrastructure in the Act. These state-owned properties are classified as follows:

- (a) State properties that provide local services.
- (b) State properties that provide regional/municipal district-wide/ metro-wide service.
- (c) State properties that provide provincial/national service.

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“**The Act**” means the Local Government Municipal Property Rates Act, 2004 (No. 6 of 2004).

(Herein after called “The Act”)

“**Vacant land**” means all undeveloped land irrespective of its current or future intended zoning. Agricultural properties will not be considered as being vacant erven.

3. PURPOSE OF THE POLICY

The policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the various property rates are determined when the budget is considered and approved every year.

4. POLICY PRINCIPLES

Rates are levied in accordance with the Act as an amount in the Rand based on the market value of rateable property contained in the municipality’s valuation roll and supplementary valuation rolls.

As allowed for in the Act, the municipality may choose 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 does not, however, 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.

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The rates policy for the municipality is based on the following principles:

a. Equity

The municipality will treat all similar 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, and/or reductions and/or rebates.

c. Sustainability

Rating of property will be implemented in a way that-

- i. It supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
- ii. Supports local social and 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 the amounts required to finance exemptions, rebates and reductions as approved by the municipality from time to time. The implementation of the policy must be as cost-effective as possible.

5. APPLICATION OF THE POLICY

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

6. CLASSIFICATION OF SERVICES AND EXPENDITURE

The Chief Financial Officer shall, subject to the guidelines provided by the legislation and the Executive Mayor, provide for the classification of services as outlined in the Municipality's annual budget into trading and economic services.

7. CATEGORIES OF PROPERTIES

7.1 Criteria for determining categories of properties for the purpose of levying different rates and for the purpose of granting exemptions, rebates and reductions will be according to the–

- (a) use of the property
- (b) permitted use of the property, or
- (c) geographical area in which the property is situated.

7.2 Categories of property for the municipality may include, but not limited to-

- (a) Residential properties.
- (b) Institutional
- (c) Industrial
- (d) Business and Commercial properties
- (e) Agricultural purposes;
- (f) State-owned properties:
- (g) Municipal owned properties:
- (h) Public service infrastructure

8. DIFFERENTIAL RATES

A municipality may levy different rates for different categories of rateable property, determined in subsection (2) and (3), which must be determined according to the—

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

Differential rating among the various property categories will be done by way of setting different Cents in the Rand for each property category.

9. MULTIPLE PURPOSE PROPERTIES

(1) A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for-

- (a) A purpose corresponding with the permitted use of the property;
- (b) A purpose corresponding with the dominant use of the property; or
- (c) Multiple purpose in terms of section 8(2)(i)

Dominant use is used in the compilation of the General Valuation Roll which is implemented 1 July 2018 and rates are levied accordingly.

10. CATEGORIES OF OWNERS

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

- (a) indigent status of the owner of a property
- (b) sources of income or/and monthly household income of the owner of a property
- (c) owners of property situated within an area affected by-

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- (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; or
- (e) owners of agricultural properties who are **bona fide** farmers.

11. LEVYING OF RATES

(1) Liability for rates by property owners:

Rates levied by a municipality on a property must be paid by the owner of the property, subject to Chapter 9 of the Municipal Systems Act. Joint owners are jointly and severally liable for the amount due for rates on that property.

In a case of agricultural property owned by more than one owner in undivided shares where the holding of such undivided shares was allowed before the commencement of the subdivision of the Agricultural Land Act (Act 70 of 1970) the municipality may consider the following options for determining the liability for rates:

- (i) If the joint owners are all available, the issue of who is liable for rates will be dealt with in the context of whether they have entered into an agreement or not regarding payment of rates liabilities. Where the joint owners have a written agreement that a specific joint owner is liable for all the rates, the municipality will hold such a joint owner liable in respect of all the rates. A certified copy of the agreement must be submitted to the municipality.

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Where there is no agreement, the municipality will hold anyone of the joint owners responsible for the whole property or hold any joint owner only liable for his undivided share.

- (ii) If the joint owners are not traceable with the exception of one joint owner and such joint owner is occupying or using the entire property or a significant larger portion the municipality will hold that joint owner liable for the total rates bill.
- (iii) If the traceable joint owner is only using or occupying a small portion of the entire property, the municipality will hold that joint owner only responsible for his own undivided share in that property

(2) Method and time of payment

The municipality will recover the rate levied in periodic instalments of equal amounts in twelve months. The instalment is payable on or before due date indicated on monthly account. Interest will be charged at 1% above the prime interest rate for any late payments received. For the interest calculation, part of a month will be calculated as a full month.

(3) Annual Payment Arrangements

By prior arrangement with the municipality the rate may be paid in a single amount before 30 September of the year it is levied in, however, application, in writing, must be submitted before 30 June prior to the financial year of implementation of the arrangement. The Director of Financial Services will consider any applications after this date.

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(4) Recovery of arrear rates from owner

Recovery of arrear rates is dealt with in accordance with the Credit Control and Debt Collection Policy.

(5) Recovery of arrear rates from tenants, occupiers and agents

Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of the Act.

(5A) Deferral of payment of rates liabilities

Refer to Credit Control and Debt Collection Policy.

(6) Supplementary Valuation Debits

In the event that a property has been transferred to a new owner and a Supplementary Valuation took place, the previous owner as well as the new owner will jointly and separately be held responsible for the settling the supplementary rates account.

(7) Ownership

Properties, which vest in the Municipality during developments, i.e. open spaces and roads should be transferred at the cost of the developer to the Municipality.

Until such time, rates levied will be for the account of the developer.

(8) Clearance Certificate

8.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates, service and sundry charges and any

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- estimated amounts for the duration of the certificate in connection with the property are paid, by withholding a clearance certificate.
- 8.2 When debt has been written off as irrecoverable it will not be recovered again when a clearance certificate on a property is issued.
- 8.3 The municipality will issue such clearance certificate on receipt of an application on the prescribed form from the conveyor.
- 8.4 All payments will be allocated to the subject property.
- 8.5 No interest shall be paid in respect of these payments.
- 8.6 The Municipality will only issue a clearance certificate once a completed prescribed application form from the conveyor has been received.
- 8.7 Where any residential or non-residential debtor has entered into an arrangement with the Municipality in respect of the arrears on a property, the prescribed certificate as referred to in Section 118 of the Systems Act, will not be issued until such time as the full outstanding amount have been paid.
- 8.8 The rates clearance certificate validation period is 60 days and the amount due for payment is calculated as follows:
- a. Applications received between the 1st and the 14th of the month will include 3 (three) months advance collections plus all current outstanding debt on the property.
 - b. Applications received between the 15th and the end of the month will include 4 (four) months advance collections plus all current outstanding debt on the property.

(9) Levying of rates on property in sectional title schemes

A rate on property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme.

12. IMPERMISSIBLE RATES

A municipality may not levy the following rates in terms of sections 16 (1) and 17 (1) of the Act:

- (1) Rates that would prejudice national economic policies.
- (2) Rates that would prejudice economic activities across boundaries
- (3) Rates that would prejudice national mobility of goods, services, capital or labour. (see conditions under section 16(2-5) of the Property Rates Act)
- (4) On the first 30% of market value of public service infrastructure
- (5) On any part of the seashore as defined in the Seashore Act
- (6) On any part of the territorial waters of the Republic in terms of the Marine Zones Act (15/1994)
- (7) On any island of which the state is the owner including the Prince Edward Islands
- (8) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act 57 of 2003), or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004 (Act 10 of 2004) which are not developed or used for commercial, business, agricultural or residential purposes.
- (9) On a mineral right within the definition of property.
- (10) On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of deeds
- (11) On the first R 15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined as residential property or multiple used property provided that one or more component is used for residential purposes.

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- (12) On 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 is, officiates at services at that place of worship.

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

(See conditions under section 17(2-5) of the Property Rates Act)

13. EXEMPTIONS, REBATES AND REDUCTIONS

1. The following criteria may be taken into consideration for the purpose of granting exemptions, reductions and rebates:
 - indigent status of the owner of a property;
 - income of the owner and/or household on a property;
 - Owners temporarily without income
 - The services provided to the community by public service organisations
 - The need to preserve the cultural heritage of the local community
 - The need to encourage the expansion of public service infrastructure
 - The indispensable contribution which property developers make towards local economic development and the continuing needs to encourage such development
 - market value of residential property below a determined threshold;
 - owners of property situated within an area affected by –
 - a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - any other serious adverse social or economic conditions;
 - zoning and/or actual use of the property; and
 - availability of services funded by rates for a property.

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2. To qualify for the rebate a property owner must:
- (i) occupy the property as his/her normal residence;
 - (ii) be at least 60 years of age **or** in receipt of a disability pension from the Department of Social Development;
 - (iii) be in receipt of a total monthly income from all sources (including income of spouses of owner) not exceeding R 5,000.00;
 - (iv) not be the owner of more than one property.
 - (v) provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
 - (vi) Owners of rateable property registered in the name of institutions or organizations, which in the opinion of the council, performs welfare, charitable and humanitarian work; cultural work; amateur sport and social activities; protect or maintain collections or buildings of historical or cultural interest, including art galleries, archives and libraries; conservation; environment and animal welfare; education and development; health care; agricultural (Experimental farms); municipal property and usage where the council is engaged in land sales transactions which take place after the financial year has started; where the municipality register a road reserve or servitude on a privately owned property a pro-rata rebate equal to the value of the reserve or servitude will be given to the owner; state hospitals, clinics and institutions for mentally ill persons, which are not performed for gain.
 - (vii) Owners who own a second property, where someone else has a permanent right to life, and cannot use the property until the beneficiary dies, can apply, and submit the necessary supporting documents with the application.

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Property owners must apply on a prescribed application form for a rebate as determined by the municipality.

Applications must be accompanied by—

- (i) a certified copy of the identity document or any other proof of the owner's age which is acceptable to the municipality;
- (ii) sufficient proof of income of the owner and his/her spouse;
- (iii) an affidavit from the owner;
- (iv) if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
- (v) if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.

These applications must reach the municipality before the end of May preceding the start of the new municipal financial year for which relief is sought.

Rates rebate are calculated at 60% of the rates levied after the R 15 000.00 impermissible value has been deducted.

Property owners who receive a pension from the Department of Social Services (SASSA), as indicate in Paragraph 13(2)(ii), will be regarded as a permanent indigent household from 1 July 2023, and will no longer have to renew the application, unless the circumstances change. All other application is valid until 30 June.

The municipality retains the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false.

13.1 EXEMPTIONS

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The following properties may be exempted from rates

- (i) municipal properties
- (ii) municipal public infrastructure
- (iii) informal settlements
- (iv) museums
- (v) national monuments
- (vi) property lower in value than the amount determined by the municipality
- (vii) a right registered against immovable property
- (viii) public benefit organizations use their property for specific public benefit activities and listed in part 1 of the 9th schedule of the Income Tax Act
- (ix) Cemeteries & Crematoriums
- (x) 30% of Public Service Infrastructure

13.2 REBATES

Categories of properties & owners

Rebates for the following categories of owners will be considered:

- (d) Rebates in respect of income categories:

The following owners may be granted a rebate on, or a reduction in the rates payable on their property if they meet the following criteria-

- Registered owner of the property that resides on the property;
- Income must not exceed an amount annually set by the Council

- (e) Public benefit organisations:

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(i) Welfare and humanitarian

Rateable property registered in the name of an institution or organisation, which, in the opinion of the council, performs welfare and humanitarian work as contemplated in the ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962).

Rateable property, registered in the name of a trustee or trustees or any organisation, which is maintained for the welfare of war veterans.

(ii) Cultural:

Rateable property registered in the name of Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any other organisation which in the opinion of the council is similar or any rateable property let by a council to any of the said organizations.

The promotions, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, proclaimed national heritage sites, museums, including art galleries, archives and libraries.

(iii) Sports:

Sports grounds used for the purpose of amateur and any social activities, which are connected with such sport.

(iv) Conservation, environment and animal welfare:

Means properties that is registered in the name if an organisation or institution that is engaging in the conservation, rehabilitation or protection of the natural environment, including flora and fauna. Rateable property

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registered in the name of an institution or organisation, which has as its exclusive objective the protection of tame or wild animals or birds.

(v) Education and development:

Rateable property registered in the name of an educational institution established, declared or registered by or under any law.

(vi) Health care:

Rateable property registered in the name of an institution or organisation which has as its exclusive objective is health care or counselling of terminally ill persons or persons with a severe physical or mental disability and persons affected with HIV/AIDS.

(c) Agricultural (Experimental Farms):

Rateable property, registered in the name of an agricultural society affiliated to or recognised by the South African Agricultural Union, which is used for the purposes of such a society.

(d) Municipal property and usage:

A pro-rata rebate will be granted where the municipality is engaged in land sales transactions which have taken place after the financial year has started. Where the municipality register a road reserve or servitude on a privately owned property a pro-rata rebate equal to the value of the reserve or servitude will be given to the owner of the property.

(e) Municipal interim valuation:

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When a municipal interim valuation is effected during a financial year a pro-rata rebate will be given from the beginning of the financial year until the interim valuation became effective as per Section 78 (2) b of the Act.

- (f) Rateable property registered in the name of the Council, if such property is used in supplying electricity, water, or sewerage services
- (g) State hospitals, state clinics and institutions for mentally ill persons, which are not operated for gain;
- (h) Rateable property registered in the name of an institution or organisation which, in the opinion of the Council, performs charitable work;
- (i) Local, Social and Economic Developments
The municipality may grant rebates to organisations that promote local, social and economic development in its area of jurisdiction based on the criteria determined in its local, social and economic development policy.

The following criteria will apply:

- (a) job creation in the municipal area;
- (b) social upliftment of the local community; and poverty alleviation to the indigents
- (c) Improve local economic growth
- (d) Promote service delivery
- (j) Agricultural properties will be granted rebates as determined by Council in its annual Budget.
- (k) An additional 10% rebate, depending on the ratio of rates tariff levied, calculated as follow could also be granted:

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i.	1 x Two bedroom houses on property	1.00%
ii.	2 x Two bedroom houses on property	2.00%
iii.	3 x Two bedroom houses on property	4.00%
iv.	>3 x Two bedroom houses on property	5.00%
v.	If electricity provided to worker's houses	0.25%
vi.	If water is provided to worker's houses	0.25%
vii.	If sewer is provided to worker's houses	0.25%
viii.	If refuse is removed from worker's houses	0.25%
ix.	If school on property or transport is provided to learners	1.00%
x.	If sport facilities on property	1.00%
xi.	If transport to nearest town is provided at no cost to workers at least once per month	1.00%
xii.	If training is provided to workers	1.00%

The above additional rebate will only be granted to Bona Fide farmers with submission of the following documentation with their application:

- (i) Proof of VAT registration
- (ii) Existing account must not be in arrears with the Municipality.
- (iii) Copy of I.D. document of all workers residing on the farm

Where the farming operations are spread across different property even as registered at the Deeds office, the above rebate will be extended to all adjoining farms which are used as a combined farming operation. The additional rebate can only be granted on the value of property as it appears on the valuation roll. Properties of the same owner but valued separately cannot be added together for the calculation purposes.

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- (l) Disaster relief can be sought in years when the Municipal area or Region is classified as a disaster area by Provincial or National Authorities.

Agricultural Properties a disaster relief rebate of between 5 and 10% limited to the amount budgeted annually by the municipality.

The application must be lodged on the prescribed form and must include proof of substantial loss of income because of the disaster. Evidence can include, but is not limited to:

1. Audited Financial Statements or Management Accounts
2. Produce delivery statements
3. Letter from the Company's Banker stating the year-on-year loss of income

Applications will be considered by the Financial Services committee and recommend for approval to the Executive Mayoral Committee.

Applications for the rebate must be submitted before the 15 July of the financial year for which relief is sought. Late applications may be considered for a pro-rata approval based on date of receipt of application.

**14. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS,
PHASING IN OF RATES**

- (1) During the budget process the Chief Financial Officer must inform council of all the costs associated with the suggested exemptions, rebates, reductions, phasing in of rates.
- (2) Provisions must be made in the operating budget –
- (a) for the full potential income associated with property rates; and

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- (b) for the full costs associated with exemptions, rebates, reductions, phasing in of rates.
- (c) A list of all exemptions, rebates, reductions, exclusions, phasing in etc. must be tabled before council.

15. ADDITIONAL RATING AREA

The municipality may by council resolution determine an area within its boundaries as a special rating area for the purpose of raising funds for improving or upgrading that area; and differentiate between categories of property when levying an additional rate

Before determining a special rating area the municipality must consult the local community on the proposed boundaries of the area, the proposed improvement or upgrading of the area and obtain the consent of the majority of the ratepayers in that proposed special rating area.

The municipality must determine the boundaries and indicate how the area is to be improved or upgraded by the funds derived from the additional rate. Establish a separate accounting and record-keeping system regarding the revenue generated by the special rate and the improvement or upgrading of the area.

The municipality may establish a committee composed of persons representing the community to act as a consultative and advisory forum. Representatively, including gender must be taken into account when such a committee is established.

16. RATE INCREASES/DECREASES

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- (2) The municipality may consider increasing/decreasing rates annually during the budget process.
- (2) Rate increases will be used to finance the increase in operating costs of rates funded services.
- (3) Rates adjustments may be made taking into account all or any of the following factors:
 - all salary and wage increases as agreed at the South African Local Government Bargaining Council;
 - inflation;
 - the cost of capital;
 - statutory increases affecting the Municipality; and
 - increases or decreases on operating subsidies received

17. NOTIFICATION OF RATES

- (1) The council 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.
- (2) A notice stating council's resolution, date on which the new rates shall become operational will be published in the media and the **Provincial Gazette** and displayed by the municipality at places installed for that purpose.

18. CORRECTION OF ERRORS AND OMISSIONS

Where the rates levied on a particular property have been incorrectly determined, whether by 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

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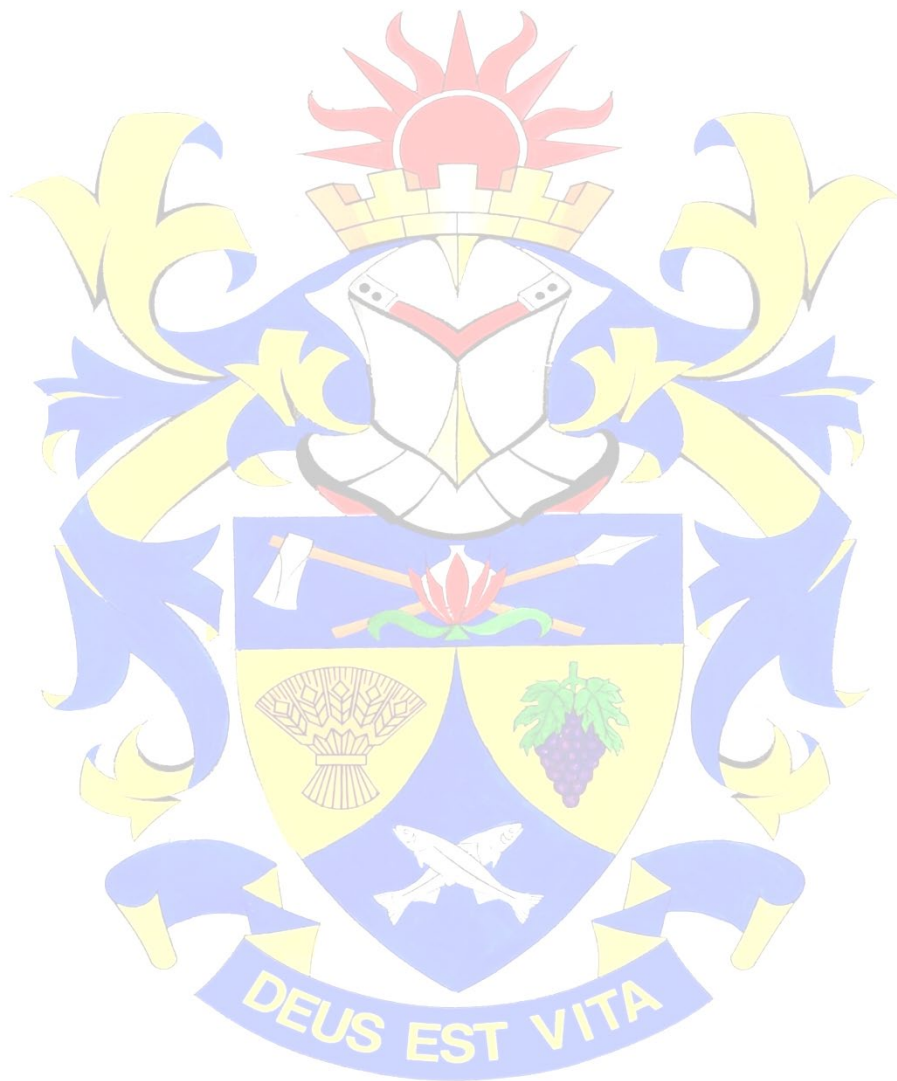
which rates were first levied in terms of the current valuation roll. In addition, where the error occurred because of false information provided by the property owner or because of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

19. SHORT TITLE

This policy is the **Rates Policy** of the **Bergrivier Local Municipality**.

BERGRIVIER

Munisipaliteit/Municipality



TARIEF BELEID

INHOUDSOPGAW E

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Bergrivier Munisipaliteit
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1. ALGEMENE INLEIDING EN DOELWIT

- 1.1 Ingevolge die bepalings van artikel 74 van die Wet op Plaaslike Regering: Munisipale Stelselwet, Wet 32 van 2000, moet 'n tariefbeleid saamgestel, goedgekeur en geïmplementeer word en moet sodanige beleid onder andere voorsiening maak vir die heffing van fooie vir die lewering van munisipale dienste deur die munisipaliteit self of ooreenkomstige dienslewering-ooreenkomste. Alle munisipale dienste word tans gelewer deur die Munisipaliteit en is geen dienslewering ooreenkomste van toepassing nie.
- 1.2 Die tariefbeleid is saamgestel met inagneming, waar toepaslik, van die riglyne soos uiteengesit in artikel 74 van die Stelselwet.
- 1.3 Wanneer die Raad die jaarlikse tariewe vasstel, moet tariewe wat elders geld in die Weskus Distriksgebied in ag geneem word asook die impak wat die raad se eie tariewe kan hê op plaaslike ekonomiese ontwikkeling.

2. ALGEMENE BEGINSELS

- 2.1 Dienstetariewe wat neergelê word deur die munisipaliteit moet gesien word as verbruikersheffings en nie as belastings nie en dus kan die vermoë om te betaal vir die dienste van die betrokke verbruikers of gebruikers van dienste waarop die tariewe van toepassing is, nie as relevante kriteria oorweeg word nie (behalwe in die geval van noodlenigingsmaatreëls soos van tyd tot tyd goedgekeur deur die munisipaliteit).
- 2.2 Die munisipaliteit moet toesien dat tariewe eenvormig en regverdig deur die hele munisipale gebied toegepas word.
- 2.3 Tariewe vir die vier grootste dienste wat deur die munisipaliteit gelewer word, naamlik:
 - 2.3.1 elektrisiteit
 - 2.3.2 water
 - 2.3.3 riool (afvalwater)
 - 2.3.4 vullisverwydering (soliede afval)

Moet sover moontlik uitgawes verhaal wat verband hou met die lewering van elke betrokke diens en die rekening bedryf soos handelsrekenings, behalwe in die geval van vullisverwydering. Die tarief wat deur 'n bepaalde verbruiker of verbruiker betaal word, moet direk verband hou met die diens gelewer en die hoeveelheid wat gebruik is.

(Let wel: Belastings word eksklusief aangespreek in 'n belastingbeleid en word gevolglik uitgesluit uit hierdie beleidsdokument)

- 2.4 Die Raad moet 'n noodlenigingshulpprogram vir die munisipale gebied ontwikkel, goedkeur en ten minste jaarliks hersien. Die program moet die munisipaliteit se invorderingsbeleid duidelik uiteensit ten opsigte van tariewe wat gehef is op geregistreerde hulpbehoewendes en die implikasie van so 'n beleid op ander

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verbruikers en verbruikers in die munisipale gebied. (Vir die doel het die Raad reeds 'n volledige goedgekeurde deernisbeleid aan hulpbehoewende gesinne – 'indigent').

- 2.5 Die munisipaliteit kan, in lyn met die beginsels vervat in die Grondwet en ander wetgewing ten opsigte van plaaslike regering, onderskeid tref tussen die verskillende verbruikers- en verbruikerskategorieë met betrekking tot die tariewe wat gehef word. Sulke onderskeid moet nogtans ten alle tye redelik wees en moet volledig uiteengesit word in elke jaarlikse begroting.
- 2.6 Die munisipaliteit se tariefbeleid moet deursigtig wees en die mate waartoe daar 'n kruissubsidie tussen die kategorieë verbruikers en verbruikers bestaan, moet duidelik wees vir alle verbruikers en verbruikers van die betrokke diens.
- 2.7 Die munisipaliteit moet verder toesien dat die tariewe maklik verstaanbaar is deur alle verbruikers en verbruikers wat deur die tariefbeleid geraak word.
- 2.8 Die munisipaliteit moet ook toesien dat dienste koste-effektief gelewer word ten einde die beste moontlike koste van dienslewering te verseker.
- 2.9 In die geval waar dienste direk gemeet kan word, naamlik elektrisiteit en water, moet die verbruik van hierdie dienste behoorlik gemeet word deur die munisipaliteit en meters moet op 'n maandelikse basis gelees word, soos omstandighede dit redelik toelaat, of waar nie van voorafbetaalde meters gebruik gemaak word nie. Die kostes wat ten opsigte van verbruikers gehef word, moet in verhouding wees met die hoeveelheid eenhede wat hulle verbruik.
- 2.10 Daarbenewens kan die munisipaliteit maandeliks beskikbaarheidsfooie of basiese fooie hef vir die betrokke dienste en kostes moet bepaal word vir elke tipe diens soos bepaal ingevolge die beleidsriglyne hieronder uiteengesit. Gewoonlik betaal verbruikers van water en elektrisiteit dus twee heffings: basiese vaste koste, wat nie verband hou met die volume van verbruik nie en wat gehef word ten opsigte van die beskikbaarheid van die betrokke diens; die ander hou direk verband met die verbruik van die betrokke diens.
- 2.11 Wanneer die koste van water, elektrisiteit en riooldienste oorweeg word, moet die munisipaliteit die kapitaalkoste in ag neem met betrekking tot die daarstelling en uitbreiding van sodanige dienste en van die gevolglike vaste koste in teenstelling met die wisselende koste om hierdie dienste te administreer. Die munisipaliteit moet dus onderneem om die bestuur en uitbreiding van dienste versigtig te beplan ten einde te verseker dat voldoende voorsiening gemaak is ten opsigte van sowel die huidige asook toekomstige verbruik en dat hierdie vlakke, wat kan wissel, oor korter tydperke ook aangespreek word. Dit kan beteken dat die dienste teen minder as die volle kapasiteit oor verskillende tydperke gelewer word en moet voorsiening in die jaarlikse tariewe gemaak word vir die koste verbonde aan hierdie surplus kapasiteit.
- 2.12 Wanneer 'n tweeledige tariewestruktuur, naamlik die basiese fooi gekoppel aan 'n heffing, asook op verbruike, goedgekeur word, is die munisipaliteit van mening

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dat voldoende voorsiening gemaak is in die behoeftes van beide toekomstige ontwikkeling en wisselende aanvraag siklusse asook ander afwykings.

- 2.13 Dit word ook aanvaar dat 'n gedeelte van die munisipaliteit se tariewe beleid vir elektriese dienste moet verseker dat sodanige verbruikers, wie hoofsaaklik verantwoordelik is vir spits tyd verbruik en gevolglik verwante gebruik heffings by Eskom tot gevolg het, die koste ten opsigte van hierdie heffings moet dra. Vir hierdie doeleindes moet die munisipaliteit meters installeer ten einde die maksimum aanvraag van sodanige verbruikers oor 'n bepaalde tydperk te monitor. Hierdie verbruikers betaal dus die betrokke aanvraag heffing sowel as 'n dienste-heffing wat direk verband hou met die werklike verbruik van elektrisiteit gedurende die bepaalde meter tydperk.
- 2.14 Die Raad kan ook as aansporingsmaatreëls om ontwikkeling te stimuleer en aan te moedig, tariewe en heffings vrystel, tydelik vrystel en/of rabatte instel. Die toekenning van aansporingsmaatreëls sal in elk geval op meriete, individueel beoordeel word en sal die toekenning daarvan gebaseer word op grond van swartbemaatiging, werkskepping, ens.
- 2.15 Waar daar meer as een aansluiting vir 'n diens per erf is, sal elke aansluiting geag word as 'n aansluitingspunt en sal die basiese dienste op elke aansluiting van toepassing wees. (Uitgesluit openbare oop ruimtes)

3. BEPALING VAN TARIEWE VIR GROOTMAATDIENSTE

- 3.1 Ten einde tariewe te bepaal wat gehief moet word vir die verskaffing van die vier groot dienste, moet die munisipaliteit die lopende koste identifiseer, wat die volgende insluit:
- 3.1.1 Koste van grootmaat aankope in die geval van water en elektrisiteit;
- 3.1.2 Verspreidingskoste;
- 3.1.3 Verspreiding verliese in die geval van elektrisiteit en water.
- 3.1.4 Waardevermindering;
- 3.1.5 Onderhoud van infrastruktuur en ander vaste bates;
- 3.1.6 Administrasie en dienste koste, insluitend –
- 3.1.6.1 kostes gehief deur ander departemente;
- 3.1.6.2 redelike algemene oorhoofse uitgawes, byvoorbeeld koste wat verband hou met die kantoor van die munisipale bestuurder.
- 3.2 Voldoende bydraes met betrekking tot slegte skuld.
- 3.3 Alle ander werk uitgawes wat verband hou met die betrokke diens, insluitend, in die geval van elektrisiteit, die koste om straatbeligting in die munisipale gebied

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te voorsien (let wel – die koste van die demokratiese proses binne die munisipaliteit, d.i. alle uitgawes wat verband hou met die politieke struktuur van die munisipaliteit, moet deel vorm van die uitgawes wat gefinansier word deur erfbelasting en algemene inkomstes, en mag nie ingesluit word in die koste van grootmaat dienste gelewer deur die munisipaliteit nie).

3.4 Die verwagte surplus wat vir die finansiële jaar gegeneer word, moet soos volg aangewend word:

3.4.1 toewysing aan kapitaal reserwes; en/of

3.4.2 in die algemeen om belasting en algemene dienste te verlig.

4. ELEKTRISITEIT

4.1 Die toepaslike tariewe, soos goedgekeur deur die Raad, moet gehef word ten opsigte van die onderskeie kategorieë elektrisiteitsverbruikers, soos hieronder uiteengesit,

4.2 Tariefaanpassings sal in werking tree vanaf die eerste rekening wat gelewer word na 1 Julie van elke jaar.

4.3 Die verbruik- en heffingskategorieë is soos volg:

4.3.1 Alle gemete elektrisiteitsverbruikers moet 'n rekening ontvang ten opsigte van elektrisiteitsverbruik, gehef teen die toepaslike kategorie waarin die betrokke verbruiker val.

4.4 Ten einde elektrisiteit verbruik te bestuur, word bloktariewe in die vorm van glyskale gebruik.

4.5 Die munisipaliteit verskaf die eerste 50 kwh elektrisiteit per maand gratis slegs aan geregistreerde hulpbehoewendes deernisgevalle, waar die aansluiting vrywilliglik tot 20 ampère beperk word.

4.6 Alle ander huishoudelike elektrisiteitsverbruikers, met uitsluiting van gebruikers in 4.5 moet addisioneel aangeslaan word vir 'n basiese heffing per geïnstalleerde meter.

4.7 Alle handel-, nywerheid- en ander nie-huishoudelike eiendom met konvensionele meters moet addisioneel aangeslaan word met 'n maandelikse basiese heffing per meter en waar toepaslik, moet 'n aanvraagheffing wat verband hou met hulle onderskeie vlakke van verbruik, ingestel word.

4.8 Waar 'n verbruiker (dienspunt) nie aan die elektrisiteitsnetwerkstelsel gekoppel is nie, maar redelikerwys so gekoppel kan word weens die beskikbaarheid van die diens by die eiendom, sal 'n beskikbaarheidstarief betaalbaar wees. Die tarief word vasgestel as 'n persentasie van die basiese heffing van toepassing op gekoppelde verbruikers (dienspunte) per kategorie. Die aansluitingsheffing sal gebaseer wees op die standaard ontwerpte 2 aansluitings vir die toepaslike

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eiendom. (60 Ampere enkelfase vir residensiële erwe en 60 Ampere driefase vir kommersiële erwe)

- 4.9 Die munisipaliteit se departementele elektrisiteitsverbruik moet teen kosprys gehef word.

5 WATER

'n Tweeledige tarief sal van toepassing wees op alle waterverbruikers, die tarief sal bestaan uit 'n vaste komponent in die vorm van 'n basiese heffing wat van toepassing is op alle verbruikers wat deur die waterverspreidingsnetwerk watertoevoer ontvang, hetsy by wyse van 'n enkel of gedeelde aansluiting en 'n verbruiksheffing gebaseer op die gemeterde verbruik.

- 5.1 Waterverbruik sal gebaseer word op die onderskeie kategorieë van verbruikers, en moet gehef word teen die toepaslike tariewe soos goedgekeur deur die Raad tydens elke jaarlikse begroting.
- 5.2 Tarief aanpassings sal in werking tree vanaf die eerste rekening wat gelewer word na 1 Julie van elke jaar.
- 5.3 Hulpbehoewende huishoudelike waterverbruikers, ontvang die eerste 6 (ses) kiloliter water wat per maand gebruik word, gratis. Daarna sal 'n progressiewe tarief per kiloliter geld soos vasgestel deur die Raad van tyd tot tyd en soos uiteengesit in die jaarlikse tariefvasstelling wat deur die Raad goedgekeur word.
- 5.4 'n Basiese heffing per watermeter gebaseer op die grootte van aansluiting kan deur die Raad van tyd tot tyd vasgestel word en sal geld ten opsigte van alle waterverbruikers.
- 5.5 Waar meer as een Vrystaande/gedeeltelik vrystaande, selfonderhoudende wooneenheid of besigheidseenheid op 'n perseel van water voorsien word, hetsy deur gebruik te maak van 'n enkele gedeelde water aansluiting of meerdere individuele aansluitings, sal 'n basiese heffing soos van toepassing op die betrokke kategorie van verbruiker op elke gebruiker wat deur die betrokke aansluiting(s) voorsien word van toepassing wees.
- 5.6 'n Verbruiker(s) (dienspunt) wat nie aan die waterdiens gekoppel is nie, maar redelikerwys gekoppel kan word en waar dienste geredelik beskikbaar is vir koppeling deur die eienaar sal 'n beskikbaarheidstarief betaal. Die vaste koste per verbruiker (dienspunt) per kategorie sal as basis gebruik word om 'n beskikbaarheidshoffing per erf te bepaal. Die tarief word vasgestel deur 'n toeslag, soos jaarliks in die tariefskedule vervat word, by te voeg tot die basiese heffing van toepassing op gekoppelde verbruikers (dienspunte) per kategorie. ('n Privaat oop ruimte sonder 'n diensverbinding is uitgesluit van bogenoemde beskikbaarheidsfoeie)

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5.6 Die munisipaliteit se departementele waterverbruik sal teen kosprys aangeslaan word.

6 VULLISVERWYDERING

6.1 Die kategorieë vullisverwyderingverbruikers soos hieronder uiteengesit, moet aangeslaan word teen die toepaslike tariewe, soos goedgekeur deur die Raad tydens elke jaarlikse begroting.

6.2 Tariefaanpassings sal in werking tree vanaf die eerste rekening wat gelewer word na 1 Julie van elke jaar.

6.3 'n Aparte vaste maandelikse vullisverwyderingheffing is op elk van die volgende kategorieë verbruikers van toepassing, gebaseer op die koste van die betrokke diens:

6.3.1 Huishoudelike en ander verbruikers (verwydering een keer per week)

6.3.2 Besighede en ander verbruikers (verwydering twee keer per week)

6.4 Die hoeveelheid vullis wat gegenerer word deur 'n verbruiker sal bepaal hoeveel eenhede elke verbruiker moet betaal vir die diens wat gelewer word. 'n Fisiese opname sal van tyd tot tyd gedoen word ten einde die volumes te bepaal en om te verseker dat verbruikers korrek aangeslaan word volgens die hoeveelheid vullis wat gegenerer word.

6.5 Geregistreerde hulpbehoewendes kan korting kry op hierdie heffing soos deur die Raad bekostigbaar geag tydens die goedkeuring van elke jaarlikse begroting, maar met die verstandhouding dat sodanige korting nie meer as 100% van die maandelikse rekening ten opsigte van die vullisverwydering heffing beloop nie.

6.6 'n Besikbaarheidsheffing sal op onverbeterde eiendom ingestel word. Die tarief sal bereken word as 'n persentasie van die huishoudelike tarief van toepassing op gekoppelde verbruikers (dienspunte) per kategorie soos jaarliks in die tariefskediule van die munisipaliteit bepaal.

Die tarief is betaalbaar waar 'n vullisdiens aan omliggende erwe gelewer word of waar die diens van die munisipaliteit die area ter enige tyd kan diens met bestaande toerusting, personeel en infrastruktuur op aanvraag van verbruikers of ten tye van die aanbring van verbeteringe op 'n eiendom.

6.7 'n Vaste maandelikse heffing, wat nie die huishoudelike heffing mag oorskry nie, is betaalbaar deur die munisipaliteit se departemente.

6.8 Dit is die plig van elke eienaar van 'n besigheid, van 'n winkel of handelsperseel om toe te sien dat die sypaadjie voor of aangrensend aan die perseel, skoon en vry gehou word van vullis wat van sodanige perseel afkomstig is of wat voortspruit uit die verskaffing of verkoop van goedere vanuit sodanige perseel. Indien dit nie gedoen word nie, kan die Munisipaliteit 'n tarief bepaal en die koste teen die eienaar se dienste rekening hef.

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7 RIOOL

- 7.1 Die kategorieë van rioolverbruikers soos hieronder uiteengesit moet maandeliks aangeslaan word teen die toepaslike tarief soos goedgekeur deur die Raad tydens elke jaarlikse begroting.
- 7.2 Tariefaanpassings sal in werking tree vanaf die eerste rekening wat gelewer word na 1 Julie van elke jaar.
- 7.3 Die kategorieë vir gebruik en heffings is soos volg:
- 7.3.1 'n Vaste maandelikse fooi gebaseer op die koste van die diens moet gehef word ten opsigte van alle huishoudelike wooneenhede insluitende woonstelle, deeltitel- en tyddeeleenhede.
 - 7.3.2 Geregistreerde hulpbehoewendes kan korting ontvang mits die Raad dit as bekostigbaar ag tydens die goedkeuring van elke jaarlikse begroting, maar met die verstandhouding dat hierdie korting nie meer as 100% van die maandelikse rekening vir hierdie diens sal beloop nie.
 - 7.3.3 'n Vaste maandelikse fooi, gebaseer op die koste vir die diens moet gehef word ten opsigte van alle besighede, nywerhede en institusionele verbruikers.
 - 7.3.4 Waar meer as een Vrystaande/gedeeltelik vrystaande, selfonderhoudende wooneenheid of besigheidseenheid aan die spoelrioolstelsel van die munisipaliteit gekoppel is, hetsy by wyse van 'n aparte of gedeelde riool aansluiting, sal 'n fooi gelykstaande aan die basiese heffing op elke gebruiker van toepassing wees
 - 7.3.5 'n Vaste maandelikse fooi gelykstaande aan die laagste (huishoudelike) tarief, moet gehef word ten opsigte van die munisipaliteit se departemente.
 - 7.3.6 'n Afvalwaterfooi is voorts betaalbaar deur fabriek en ander nywerhede waar afvalwater, wat afkomstig is vanaf hierdie kategorie van verbruikers, spesiale suiweringsmaatreëls deur die munisipaliteit vereis. Sodanige fooie sal gebaseer word op die toksiese inhoud van die betrokke afvalwater en die koste vir die suiwing.
 - 7.3.7 Alle erwe wat na die mening van die Hoof Siviele Ingenieur van die Munisipaliteit by die rioolstelsel van die munisipaliteit aangesluit kan word weens die beskikbaarheid van die infrastruktuur/diens by die erfgrans sal 'n beskikbaarheidsheffing betaal gebaseer op die grootte van die erf en vaste koste verbonde aan die diens. Die tarief vir onbeboude eiendomme word jaarliks vasgestel as 'n persentasie van die basiese rioolheffing van toepassing op gekoppelde verbruikers (dienspunte) per kategorie.

8 ANDER TARIIEWE

- 8.1 Ander tariewe, naamlik alle tariewe uitgesonder water, elektrisiteit, riool en vullisverwydering.
- 8.2. Alle ander tariewe moet gestandaardiseer wees binne die munisipale gebied

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- 8.3 Alle ander tariewe moet deur die Raad goedgekeur word tydens elke jaarlikse begroting en moet, waar raadsaam geag deur die Raad, deur erfbelasting en algemene inkomste gesubsidieer word, veral wanneer die tariewe onekonomies blyk te wees wanneer die betrokke diens se koste gedek moet word, of wanneer die koste nie akkuraat bepaal kan word nie, of wanneer die tarief daarop gemik is slegs om die betrokke diens of gerief te reguleer eerder as te finansier.
- 8.4 Alle ander tariewe waaroor die munisipaliteit volle beheer het en wat nie direk verband hou met die koste van 'n betrokke diens nie, moet jaarliks aangepas word om ten minste in lyn te wees met die heersende verbruikersprysindeks, mits daar goeie redes is hoekom 'n aanpassing nie gedoen gaan word nie.
- 8.5 Die volgende dienste behoort as gesubsidieerde dienste geag word en die tariewe gehef behoort sover moontlik die jaarlikse werklike uitgawes waarvoor begroot is te dek vir die betrokke diens:
- 8.5.1 begrafnisse en begraafplase
 - 8.5.2 huur vir die gebruik van munisipale sportfasiliteite
 - 8.5.3 munisipale swembad
 - 8.5.4 munisipale museums
 - 8.5.5 verwydering van tuin-en besigheids afval na die munisipale stortingsterrein
 - 8.5.6 ander diverse tariewe bv. verhuur van toerusting, bouplangelde, grondgebruik beplanning, ens.
- 8.6 Die volgende dienste moet as gemeenskapsdienste beskou word en geen tariewe mag gehef word vir die gebruik daarvan nie:
- 8.6.1 munisipale biblioteek (behalwe vir boetes)
 - 8.6.2 munisipale tuine en alle ander parke en openbare oop ruimtes
- 8.7 Die volgende dienste behoort as ekonomiese dienste beskou word en die tariewe gehef behoort 100%, of so na as moontlik aan 100%, die begrote jaarlikse werklike uitgawes van die betrokke diens dek. Onderstaande is van toepassing op die dienste wel gelewer deur die Munisipaliteit.
- 8.7.1 huishuur
 - 8.7.2 huur vir die gebruik van munisipale sale en ander persele (onderworpe aan die voorwaardes soos hieronder uiteengesit)
 - 8.7.3 bouplanfooie
 - 8.7.4 verkoop van plastiek vullissakke
 - 8.7.5 skoonmaak van persele
 - 8.7.6 elektrisiteit, water, riool, nuwe aansluitingsfooie
 - 8.7.7 fotostatiese afdrukke en fooie
 - 8.7.8 uitklaringsertifikate en ander sertifikate (bv. sonering)
 - 8.7.9 aansoekfooie vir grondgebruik
 - 8.7.10 dorpskaarte en soneringsplanne

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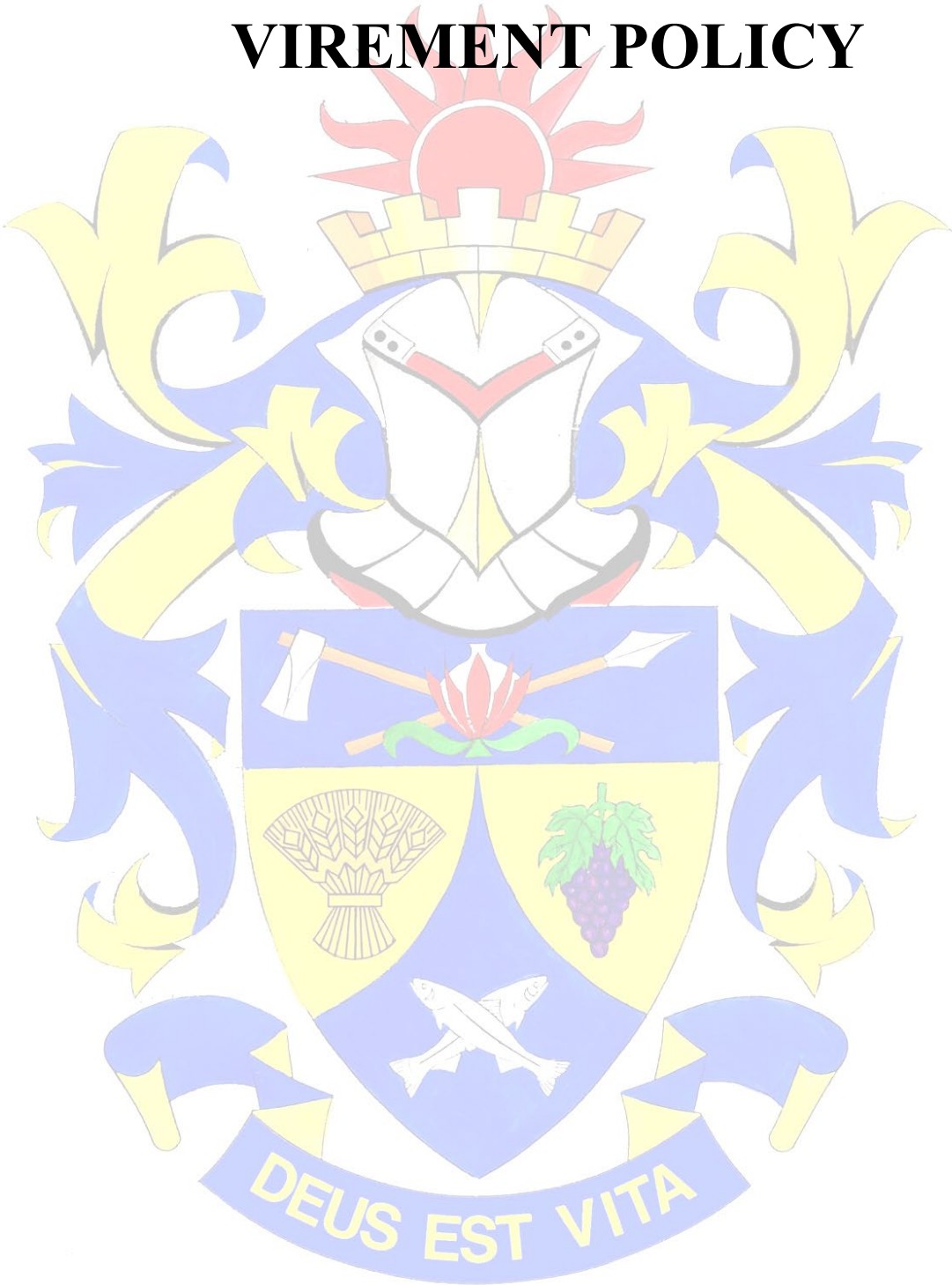
- 8.8 Die volgende heffings en tariewe, waar van toepassing, moet as 'n regulerende of strafmaatreël oorweeg word en moet toepaslik oorweeg word tydens elke jaarlikse begroting.
- 8.8.1 boetes vir verlore of laat biblioteekboeke
 - 8.8.2 skutfooie en insleepfooie
 - 8.8.3 elektrisiteit, water, afsluitings- en aansluitingsfooie
 - 8.8.4 boetes en ander heffings neergelê ingevolge die goedgekeurde beleid ten opsigte van kredietbeheer en skuldinvordering.
- 8.9 Markverwante huur moet gehef word ten opsigte van die verhuring van elke munisipale eiendom, insluitende karavaanparke en strandoorde.
- 8.10 Indien die munisipale bestuurder tevrede is dat sale en persele benodig word vir nie-winsgewende instansies en vir die lewering van 'n diens aan die gemeenskap, kan die munisipale bestuurder tot 100% afslag toestaan ten opsigte van die betrokke huur.
- 8.11 Die munisipale bestuurder moet bepaal of enige vrywaring of waarborge gegee moet word ten opsigte van die huur van munisipale sale, persele en sportgronde en moet in ag neem watter skade die munisipaliteit kan ly as gevolg van die gebruik van die betrokke fasiliteite.

9 BESKIKBAARHEIDSFOOIE

- 9.1 Beskikbaarheid fooie, soos jaarliks in sy begroting deur die raad bepaal, ten opsigte van Water, Elektrisiteit, Riool en Vullisverwydering is betaalbaar deur alle eienaars van onbeboude eiendomme waar geeneen van die dienste aangesluit is nie maar redelikerwys aangesluit kan word. Indien een of meer van hierdie dienste aangesluit word, sal die basiese fooie t.o.v. al die dienste wat redelikerwys aangesluit kan word, geld soos bepaal in die gedeelte van hierdie beleidsdokument wat daarmee handel.
- 9.2 Die heffing van beskikbaarheidsheffings gee die verbruiker die reg tot die diens, wat ter enige tyd op aanvraag beskikbaar is vir koppeling.
- 9.3 Die fooie betaalbaar word onder elke diens bepaal.

BERGRIVIER MUNICIPALITY

VIREMENT POLICY



VIREMENT POLICY

1 INTRODUCTION

The compilation of a virement policy is based on the guidelines issued in MFMA Circular No 51 and mSCOA Circular 8 published by National Treasury. The MFMA and the Municipal Budget and Reporting Regulations seek to move municipalities away from the traditional approach of appropriating/approving budgets by line item. The aim is to give the heads of municipal departments and programmes greater flexibility in managing their budgets. To further facilitate this, each municipality must put in place a council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

- 1.1 Webster's New Millennium Dictionary of English defines "Virement" as "a regulated transfer or reallocation of money from one account to another, especially public funds."
- 1.2 A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.
- 1.3 Changing circumstances and priorities during a financial period may give rise to a need to virement (transfer) funds within or between approved Votes, as defined in the Municipal Finance Management Act 56 of 2003(MFMA). The treatment of such instances may, however, be dependent on whether an adjustment budget is required or not.

2 PURPOSE

- 2.1 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. A municipality's virement policy and its underlying administrative process within the system of delegations is one of these controls.
- 2.2 Section 81(1)(d) of the MFMA states inter alia that "The chief financial officer of a municipality...must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79;..."
- 2.3 It is the responsibility of each Director to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that funds are utilized effectively and efficiently.

2.4 Section 78(1) (b) of the MFMA states inter alia that:

“Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure...that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently...”

2.5 This policy aims to provide guidelines to senior management in the use of virements as a mechanism in their day to day management of their budgets.

In addition it specifically aims to empower senior managers with an efficient financial– and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the municipality’s system of delegations.

3 DEFINITIONS

3.1 **Accounting Officer (MFMA)**

(a) in relation to a municipal official referred to in Section 60 of the MFMA

3.2 **Approved budget (MFMA)**

(a) means an annual budget approved by a municipal council, or

(b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28

3.3 **Chief Financial Officer (MFMA)**

“a person designated in terms of section 80(2) (a)”

3.4 **Cost Centre**

A Cost Centre is a logical point at which cost (expenditure) is managed by a responsible cost center owner. A cost center is identified by the second 3 digits of the ledger account number.

3.5 **Cost Item**

Cost items distinguish between different cost sections or categories of expenditure. These are identified by the next 4 digits of the ledger account number.

3.6 **Director**

Section 56 of the System Act states inter alia that:

"Appointment of managers directly accountable to municipal managers (a) a municipal council, after consultation with the municipal manager, appoints a manager directly accountable to the municipal manager..."

3.7 **Financial Year**

The 12 month period between 1 July and 30 June of the following year.

3.8 **Vote (MFMA)**

3.8.1 "(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."

3.8.2 In the case of the Bergrivier Municipality the definition of Vote is set at Directorate level, with the exception being tariff funded services as a result of their closed account nature e.g. Electricity (*Cost Centre 621&622*), Water (*Cost Centre 511&512*), Waste Management (*Cost Centre 171&172*) and Waste Water Management (*Cost Centre 291&292*). In these cases "vote" is set at cost center level.

3.9 **Virement**

The process of transferring an approved budgetary provision from one operating cost center or capital project to another within a vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the budget adoption.

4 MFMA REGULATIONS ON BUDGET VERSUS EXPENDITURE

4.1 The MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.

4.1.1 Section 15

Appropriation of funds for expenditure “A municipality may, except where otherwise provided in this Act, incur expenditure only

- (a) in terms of an approved budget, and
- (b) within the limits of the amounts appropriated for the different votes in an approved budget.”

4.1.2 Unauthorized Expenditure (MFMA Definition)

“in relation to a municipality, means any expenditure incurred by a Municipality otherwise than in accordance with section 15 of 11(3), 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 this Act”

4.1.3 Overspending (MFMA Definition)

“in relation to the budget of a municipality means

- (a) 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, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;”

4.1.4 Section 71(1) (g) (iii) states inter alia

“(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:...(g) when necessary, an explanation of... (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget....”

5 VIREMENT REQUIREMENTS

- 5.1 The virement process represents the major mechanism to align and take corrective (financial/budgetary) action within a vote (Directorate) during a financial year.
- 5.2 In order for a vote (Directorate) to transfer funds from one cost center or capital project to another cost center or capital project, a saving has to be identified within the monetary limitations of the approved “giving” cost center or capital project allocations on the respective budgets.
- 5.3 Sufficient, (no committed) budgetary provision should be available within the “giving” vote’s cost center or project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost center or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.
- 5.4 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA Section 28)
- 5.5 In terms of Section 17 of the MFMA a municipality’s budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.
- 5.6 Virements are not permissible between votes.

- 5.7 Virements between Trading and Rate funded functions are not allowed, due to the differing impacts on respective tariffs or Rates borne services' budgets, unless adopted via adjustment budgets (per MFMA Section 28)
- 5.8 Virements are subject to the approval of the relevant Director and Municipal Manager for her directorate.

6 OPERATING BUDGET VIREMENTS

- 6.1 Virements are not allowed to utilize special purpose budgetary allocations, adopted by Council as such and to which specific Council recommendations apply.
- 6.2 Sound motivations should be provided for all virements, as provided for on pro forma virement application documentation.
- 6.3 Specific virement limitations:
 - 6.3.1 No virements are permitted between cost item of employee related costs and other cost items within a cost center or vote without the written consent of both the municipal manager and the CFO.
 - 6.3.2 Remuneration of Councillors
 - (a) Virements are allowed to and from items within this expenditure with the written consent of the CFO.
 - 6.3.3 All virements must be approved for completeness before processing by the Budget and Treasury office.
 - 6.3.4 No virements are permitted to and from Grants and Subsidies Paid, except with the written consent of both the municipal manager and the CFO.
 - 6.3.5 No virements are permitted between cost items and repairs and maintenance votes without the written consent of the Municipal Manager and the CFO.
 - 6.3.6 No virements are permitted during an Adjustment budget process as determined by the Budget Office. Virements will only be allowed ~~Only~~ on approval by the CFO.

7 CAPITAL BUDGET VIREMENT

- 7.1 Specific virement limitations

- 7.1.1 Sound motivations should be provided for all virements, as provided for on pro forma virement documentation.
- 7.1.2 No virements are permitted to and from assets financed from different funding sources within a vote.
- 7.1.3 Virements are only allowed between asset classes within a vote at the discretion of the relevant Director and the Municipal Manager.
- 7.1.4 No virements of which the affect will be to add 'new' capital projects onto the capital budget, will be allowed, except for those associated with insurance claim settlements.

7.1.5 No virements are allowed between projects that are funded from external loans and grants.

7.1.6 No virements will be allowed from specific priority service delivery areas as identified by Council from time to time

7.1.7 No virements may be done on capital and operational votes for the first three(3) months of the financial year and for last two months of the year, only on exceptional circumstances, recommended by the Supply Chain Manager to the Municipal Manager.

7.1.8 No virements may be done on capital and operational votes for the first three(3) months of the financial year and for last two months of the year, only on exceptional circumstances, recommended by the Supply Chain Manager to the Municipal Manager.

7.1.9 When a project is completed the saving is not allowed to be viremented to another vote, the saving must be rectified with the adjustment budget in February

7.1.10 All virements done between salary items must be approved by the Municipal Manager and CFO on the required form.

7.1.11 No virements are permitted from 1 December until 28 February (after the release of the Adjustment Budget on the financial system).

BERGRIVIER MUNICIPALITY



SCM POLICY

2023/2024

FINAL SUBMITTED TO COUNCIL 29 MAY 2023
PREVIOUSLY APPROVED BY COUNCIL 29 MAY 2023

SUPPLY CHAIN MANAGEMENT POLICY

The Supply Chain Management Policy, adopted in terms of Section 111 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 and the Municipal Supply Chain Management Regulations, Notice 868 of 30 May 2005.

Council resolves in terms of Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following as the Supply Chain Management Policy of the Bergrivier Local Municipality:

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1. Definitions

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the **Municipal Finance Management Act, no 56 of 2003**, has the same meaning as in the Act, and –

“Accounting Officer”	in relation to a Municipality means the Municipal Manager as described in Section 60 of the Local Government: Municipal Finance Management Act, no 56 of 2003 as well as Section 82 of the Municipal Structures Act, no 117 of 1998.
“Bid”	means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods
“Close Family Member”	means: (i) spouse or partner, (ii) child, (iii) parent
“Close Members of the Family for GRAP Disclosure”	Means – (a) that person’s children and spouse or domestic partner; (b) children of that person’s spouse or domestic partner; (c) dependants of that person or that person’s spouse or domestic partner; (d) a grandparent, grandchild, parent, brother or sister; and (e) a parent-in-law, brother-in-law or sister-in-law.”

“Competitive Bidding Process”	means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;
“Competitive Bid”	means a bid in terms of a competitive bidding process;
“Consultants”	means consulting firms, engineering firms, legal firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investments and merchant banks, universities, research agencies, government agencies, non-governmental (NGO’s) and individuals.
“contract”	means the agreement that results from the acceptance of a bid by the Municipality;
“Contract Manager”	means the official within a specific department, responsible for all day to day activities (including performance management and dispute resolution) during the life cycle of the contract (with delegated powers to perform this function), as the contract champion. The Contract Manager can also be seen as the Budget holder accountable for expenditure from, and income to, particular budget.
“Contract Owner”	means the official who is, as the owner of a budget vote, ultimately accountable for all the activities during the life cycle of a contract.
“delegation”	in relation to a duty, includes an instruction a request to perform, or to assist in performing the duty.
“Emergency”	means a serious, unexpected, unforeseen, disastrous , and potentially dangerous and damaging situation requiring immediate action and which is not due to a lack of planning.
“Exceptional Case”	means unusual not typical circumstances where it is impractical or impossible in practice to follow procurement processes.
“Final Award”	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
“Formal Written Price Quotation”	means quotations referred to in Section 12 (1) (c) of this Policy;
“Director”	means a person in the employment of Bergrivier Municipality who heads a department or who reports to the Municipal Manager
“IDP”	means Integrated Development Plan

“In the service of the State”	means to be – (a) a member of – i) any municipal council; ii) any provincial legislature; or iii) the National Assembly or the National Council of Provinces; (b) a member of the board of directors of any municipal entity; (c) an official of any municipality or municipal entity; (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999); (e) an executive member of the accounting authority of any national or provincial public entity; or (f) an employee of Parliament or a provincial legislature; (g) an employee of state agencies and State Owned Enterprises,
“Irregular Expenditure”	For the purpose of this Policy means expenditure incurred by the municipality in contravention of, or that is not in accordance with, a requirement of the Supply Chain Management Policy of the municipality, and which is not been condoned in terms of the Policy
“Long Term Contract”	means a contract with a duration period exceeding one year;
“List of Accredited Prospective Providers”	means the list of accredited prospective providers which the municipality must keep in terms of Section 14 of this Policy;
“Municipality”	means Bergrivier Local Municipality
“Municipal Systems Act”	means the Local Government: Municipal System Act 32 of 2000
“Notice Boards”	means the official notice boards at the municipal offices, libraries and any notice boards at the dedicated directorates

“Other Applicable Legislation”	<p>means any other legislation applicable to municipal supply chain management, including –</p> <ul style="list-style-type: none"> a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000); d) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); e) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000); f) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998); g) the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004); h) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003): Municipal Supply Chain Management Regulations; i) the Preferential Procurement Regulations, 2017 j) the Competitions Act 1998 (Act No. 89 of 1998)
“Policy”	means the Supply Chain Management Policy of the Bergrivier Local Municipality
“Quotation”	means a stated price that a supplier expects to receive for the provision of specified services, works or goods;
“Sole Supplier”	means the only supplier in the South African market that can provide a particular product or service;
“supply chain management practitioners”	includes the Chief Financial Officer, the Head of the Budget and Treasury Office and the Head of Supply Chain Management;
“Tender”	means ‘bid’ or ‘quotation’ in relation to ‘Tender Box’
“Treasury Guidelines”	means any guidelines on supply chain management issued by the Minister in terms of Section 168 of the Act;
“validity period”	means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document.

CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply Chain Management Policy

- 1) The Bergrivier Municipality resolved in terms of Section 111 of the Municipal Finance Management Act, No 56 of 2003, to have and implement a Supply Chain Management Policy 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 –
 - ii) the Regulations; and
 - iii) 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;
 - f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;
 - g) applies the highest ethical standards; h) promotes local economic development; and
 - i) assign responsibility for the implementation of the policy to the Accounting Officer of the Municipality.
- 2) The Municipality may not act otherwise than in accordance with this Supply Chain Management Policy when:
 - a) procuring goods or services; b) disposing of goods no longer needed;
 - c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - d) selecting 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.
- 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.

3. Amendment of the Supply Chain Management Policy

- 1) The Accounting Officer must –
 - a) at least annually review the implementation of this Policy; and b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- 2) If the Accounting Officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the Accounting Officer must –
 - a) ensure that such proposed amendments comply with the Regulations; and b) report any deviation from the model policy to the National Treasury and the Provincial Treasury.
 - c) 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.
 - d) The Accounting Officer must, in terms of Section 62(1) (f) (i) of the Act, take all reasonable steps to ensure that the Municipality has and implements this Supply Chain Management Policy.

4. Delegation of supply chain management powers and duties

- 1) The council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –
 - a) to discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of –
 - (i) Chapter 8 of the Act; and (ii) the Supply Chain Management 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, favoritism 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) Section 79 of the Act applies to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of Sub-Section (1).
- 3) The Council or Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of municipality or to a committee which is not exclusively composed of officials of the municipality.
- 4) Section 4(3) 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 Section 26 of this Policy.

5. Sub-delegations

- 1) The Accounting Officer may in terms of Section 79 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 Sub-Section (2) of this Section and Section 4 of this Policy.
- 2) The power to make a final award –

- a) above R10 million may not be sub-delegated by the Accounting Officer;
 - b) above R300 000 , but not exceeding R10 million, may be sub-delegated but only to
 -
 - (i) the Chief Financial Officer;
 - (ii) a Director; or
 - (iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member.
- 3) The Accounting Officer and Chief Financial Officer may further delegate the signing of SCM award letters, contracts and payment to invoices to the Manager: Supply Chain Management,
- 4) An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated in accordance with Sub-Section (2) must within five working days of the end of each month submit to the Accounting Officer a written report containing particulars of each final award made by such official or committee during that month, including–
- a) the, amount of the award;
 - b) the name of the person to whom the award was made;
- and
- c) the reason why the award was made to that person.
- 5) A written report referred to in Sub-Section (3) must be submitted –
- a) to the Accounting Officer, in the case of an award by –
 - (i) the Chief Financial Officer;
 - (ii) a senior manager; or
 - (iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member.
 - b) to the Chief Financial Officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is not a member.
- 6) Sub-Section (3) of this Section does not apply to procurements out of petty cash.
- 7) This Section 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 Section 26 of this Policy.
- 8) No supply chain management decision-making powers may be delegated to an advisor or consultant.

6. Oversight role of council

- 1) The council reserves its right to maintain oversight over the implementation of this Policy.
- 2) For the purposes of such oversight the Accounting Officer must –
 - 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 to the council.
- 3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the Supply Chain Management Policy to the mayor.

- (3) The reports must be made public in accordance with Section 21A of the Municipal Systems Act.
- (4) The Accounting Officer will, within 60 days of the end of each financial year, submit to the Provincial Treasury any information concerning supply chain management in such format as the National Treasury and Provincial Treasury may determine.

7. Supply Chain Management Unit

- 1) The Accounting Officer must establish a Supply Chain Management Unit to implement this Policy.
- 2) The Supply Chain Management Unit operates under the direct administrative charge of the Chief Financial Officer, supervised by the Manager: Supply Chain Management, and the Unit's operations led by the Heads: Acquisition, Contract and Compliance, and Demand and Logistics Management, to whom this duty has been sub-delegated in terms of Section 82 of the Act.

8. 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

9. Format of supply chain management system

- (1) This Supply Chain Management Policy provides systems for –
- (a) demand management;
 - (i) acquisition management;
 - (ii) logistics management;
 - (iii) disposal management;
 - (iv) risk management; and
 - (v) performance management.

Part 1: Demand Management

10. System of demand management

- 1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality to support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- 2) The demand management system must –
- (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
 - (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; and
 - (e) include the following demand management considerations –
 - (i) understanding of future and current needs;
 - (ii) requirements are linked to the budget;
 - (iii) specifications are determined;
 - (iv) needs form part of the strategic plan and Integrated Development Plan of the Municipality;
 - (v) analysis of past and current expenditure;
 - (vi) optimum methods to satisfy needs;
 - (vii) frequency of requirements are specified;
 - (viii) calculation of economic order quantity; and
 - (ix) conducting of industry and market analysis.
- 3) The Demand Management Plan must be developed in conjunction with the IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget.

- 4) All user departments are required to submit their procurement plans to the Supply Chain Management Unit by 31 May in terms of the IDP and Budget processes.
- 5) The Demand Management Plan must be submitted to and approved by the Accounting Officer or his or her delegate before 30 June of each year.
- 6) The Demand Management Plan must be reviewed regularly and submitted to the Accounting Officer or his delegate on a quarterly basis.
- 7) Demand management must be coordinated by SCM officials of the Municipality in consultation with budget holders.
- 8) The outcome of this activity should be a detailed planning document that outlines what goods, works or services should be procured, the manner in which they should be procured as well as the time-lines to execute the procurement functions.

Part 2: Acquisition management

11. System of acquisition management

- (1) The Accounting Officer must establish, through operational procedures, an effective system of acquisition management in order to ensure:-
 - (a) that goods and services are procured by the municipality in accordance with authorized processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and
 - (e) that any Treasury guidelines on acquisition management are properly 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.

12. Range of procurement processes

- (1) Goods and services may only be procured by way of –
 - (a) petty cash purchases in terms of Council's Petty Cash Policy for procurement transactions with a value up to R2 000 (Incl. VAT);
 - (b) formal written price quotations for procurement transactions of a value over R2 000 up to R300 000 (Incl.VAT); and
 - (c) a competitive bidding process for–
 - (i) procurement transactions with a value above of R300 000; and (ii) the procurement of long term contracts.
- (2) The Accounting Officer may, in writing-
 - (a) lower, but not increase, the different threshold values specified in Sub-Section (1); or (b) direct that –
 - (i) formal written quotations be obtained for any specific procurement of a transaction value lower than R2 000 (Incl.VAT); ;
 - (ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R300 000(Incl.VAT);.

- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's –
- (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
- (b) has authorised the Municipality to verify any of the documentation referred to in Sub-Section (a) above; and
- (c) has indicated –
- (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in Sub-Section (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.
- (d) has indicated the status of the providers municipal accounts with Bergrivier Municipality, where applicable.

14. Lists of accredited prospective providers

- 1) The Accounting Officer must –
- a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through formal written price quotations;
 - b) ensure that the listing platforms comply with National Treasury instructions;
 - c) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers; and
 - d) ensure that prospective providers meet the following listing criteria:
 - (i) Name of supplier / service provider;
 - (ii) Street address;
 - (iii) Postal address;
 - (iv) Contact person in Sales Department;
 - (v) Sales Department's telephone number;
 - (vi) Sales Department's fax number;
 - (vii) Sales Department's cell number;
 - (viii) Sales Department's email address;
 - (ix) Contact person in Accounts Department;
 - (x) VAT registration number;

- (xi) Bank details;
 - (xii) Type of industry;
 - (xiii) Valid certification for specialised services;
 - (xiv) Tax reference number and Pin for verification of tax status;
 - (xv) Valid certification or Sworn affidavit in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor, if available; and
 - (xvi) Relevant identification numbers of all members, directors and partners
- e) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- 2) The list must be updated at least annually 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.
 - 2) 3) The list must be compiled per commodity and per type of service.
 - 4) Once a list has been compiled per commodity and per type of service, formal written price quotations will be invited from the suppliers in a manner that promotes on-going competition, including on a rotation basis.
 - 5) The inclusion of any supplier in the database of suppliers does not exempt the supplier from the obligation to respond in the prescribed manner to notices of the municipality's supply chain management requirements.
 - 6) Suppliers who wish to be included in the list of accredited suppliers without waiting for the next invitation may approach the Procurement Section for inclusion, provided that they supply the necessary documentation and information for evaluation. Once these requirements have been satisfied, the Procurement Section will ensure that the prospective supplier is evaluated and will provide a response as to approval or not within a reasonable time.

15. Petty cash purchases

- 1) The conditions for the procurement of goods by means of petty cash purchases referred to in Section 12(1)(a) of this Policy must be stipulated in a Petty Cash Policy and must include the following:
 - a) the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
 - b) maximum number of petty cash purchases or the maximum amounts per month for each manager;
 - c) any types of expenditure from petty cash purchases that are excluded, where this is considered necessary; and
 - d) a monthly reconciliation report from each manager must be provided to the chief financial officer, including – (i) the total amount of petty cash purchases for that month; and (ii) receipts and appropriate documents for each purchase.
- 2) The Chief Financial Officer have the discretion to approve transactions that does not exceed R 2 000 per transaction.

16.

16. Formal written price quotations

- 1) The conditions for the procurement of goods or services for a value over R2 000 up to R300 000, 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 (CSD);
 - b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in Section 14(1)(b) and (c) of this Policy;
 - c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer, and
 - d) the Accounting Officer must record the names of the potential providers and their written quotations.
- 2) Quotations must:
 - a) be in writing, and signed by a person with the necessary authority to act on behalf of the prospective supplier;
 - b) comply with the specifications set out in the quotation notice;
 - c) be marked for identification in relation to the particular quotation.
- 3) A designated official referred to in Sub-Section (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 Sub-Section.

17. Procedures for procuring goods or services through formal written price quotations

- 1) The procedure for the procurement of goods or services through 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 goods and services in excess of R30 000 that are to be procured by means of formal written price quotations must, in addition to the requirements of Section 16, be advertised for at least seven days on the website and an official notice board of the municipality;
 - c) re-imbursments to personnel are subject to emergency situations only, and have to be authorized by the relevant Director as well as the Chief Financial Officer; d) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
 - e) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation;
 - f) all offers above R2 000 must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
 - g) all acceptable offers received must be subjected to the preference points system (PPPFA and associated regulations), unless valid reasons are documented for instances where it is impractical to do so, awards must be made to the bidder scoring the highest points; and
 - h) requirements for proper record keeping such as: (i) filing of documents for audit purposes; (ii) ensure the correctness of documents;

(iii) before awards proper checking of documents must be done.

- 2) Notwithstanding the above requirements for consideration, formal written quotations not meeting the required specifications may not be accepted.
- 3) Only quotations complying with the specifications will be considered for acceptance, provided that there are sufficient funds appropriated within the budget.
- 4) Where no formal written price quotation complies with the specification, as determined by the relevant Head of the Department requiring the goods or service, the SCM Manager may re-invite quotations.
- 5) Following are possible examples of not being in a position to obtain formal written price quotations: -
 - i. Publication of official and legal notices as well as advertisements in the media,
 - ii. Disciplinary hearings (Appointment of a Chairperson, Initiator) ,as per delegations of the Municipal Manager, the appointment of any legal person(s) to institute and defend any legal processes/proceedings and claims by or against Council, in any court of law, including the initiation, dealing with or settlement of such proceedings, training events, corporate branding and artwork, courses, seminars, membership fees, doctor consultations, medical specialists, local travel agencies, accommodation, subscription, short-term car hire or rental services, tow in services, servicing/maintenance agents for specific assets (Cameras, batteries etc), franking machine postage, ICT Lisenses, re-locations fees library books, books,printing of the IDP and budget, monitoring of alarms, advertisements, motivational speakers, artists, subscription fees, security services in case of emergency, or as necessary and determined by the Accounting Officer to protect municipal infrastructure and facilities.
 - iii. In the event of a strip and quote or ad hoc repairs to plant, equipment and machinery where it is not possible to ascertain the nature or extent of the work required in order to call for quotations, authorized by the Director engineering services.
 - iv. Payment of annual license and support charges, enhancements and additional functional modules to ensure compliance with the MSCOA classification framework and to move towards a municipal ERP system, to the provider of the core financial system of the municipality.

18. Competitive bids

- 1) Goods or services above a transaction value of R300 000 and long term contracts may only be procured through a competitive bidding process, subject to Paragraph 11(2) of this Policy.
- 2) The bid documentation will be prepared by the bid documentation will be prepared by the Bid Specifications Committee in consultation with the relevant directorate and displayed on notice boards, placed on the council's website, and advertised in commonly circulated local and/or provincial newspapers with a closing date of at least 14 days after the date that the advertisement first appears.
- 3) No requirement for goods or services above an estimated transaction value of R300 000 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.

19. 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 Section 21;
 - b) Public invitation of bids as detailed in Section 22;
 - c) Site meetings or briefing sessions as detailed in Section 22;

- d) Handling of bids submitted in response to public invitation as detailed in Section 23;
- e) Evaluation of bids as detailed in Section 28;
- f) Award of contracts as detailed in Section 29;
- g) Administration of contracts; after approval of a bid, the Accounting Officer or by the delegated official and the bidder must enter into a written agreement.
- h) Proper record keeping; Original / legal copies of written contract agreements should be kept in a secure place for reference purposes.

20. Bid documentation for competitive bids

- 1) The criteria with which bid documentation for a competitive bidding process must comply, must –
 - a) take into account – (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the CIBD, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - c) include the compulsory submission of B-BBEE status level verification certificates and/or a Valid Sworn Affidavit or certified copies thereof;
 - d) include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - e) include evaluation criteria for measuring of functionality (where applicable);
 - f) include conditions for sub-contracting according to applicable legislation;
 - g) ensure that a due diligence process is conducted to determine whether the preferred bidders have the capability and ability to execute the contract;
 - h) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - i) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and
 - (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.
 - 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) a requirement to supply tax references, tax pin, VAT registration numbers and identification or registration numbers;
- l) details of any contracts above R300 000 carried out on behalf of the municipality within the last five years;
- m) contract management processes and procedures including provision for the Accounting Officer to cancel the contract on the grounds of unsatisfactory performance; and
- n) any other matters as required by the MFMA and the Supply Chain Management Regulations.

21. Public invitation for competitive bids

- 1) The procedure for the invitation of competitive bids is as follows:
 - a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and b) the information contained in a public advertisement, must include – (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million, or which are of a long term nature (longer than 3 years), or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to Sub-Section (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions.
- 2) The Accounting Officer may determine a closure date for the submission of bids 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) Bid documents must be made available on Council's Website at no charge, as far as possible.
- 4) The Municipality charges a non-refundable fee for provision of bid documents. This is subject to annual review. Values of the fees will be determined annually and included in the official lists of tariffs.
- 5) Bids submitted must be sealed.

22. Procedure for handling, opening and recording of bids

- 1) The procedures for the handling, opening and recording of bids, are as follows:
 - a) Bids–
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
 - b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
 - c) No information, except the provisions in Sub-Section (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

- d) The Accounting Officer must – (i) record in a register all bids received in time; (ii) make the register available for public inspection; and (iii) publish the entries in the register on the website.
- 2) In order for a bid to be considered it must be placed in the official tender box located at the Supply Chain Management Unit.
 - 3) The Manager: Supply Chain will ensure that tender boxes are sealed until the time of their official opening, and ensure that they are properly secured.
 - 4) At the advertised time, the tender box will be unlocked by officials from the Supply Chain Management Unit.
 - 5) A Supply Chain Management practitioner will open bid documents in the presence of bidders or other interested parties.
 - 6) The tender box may be opened without any members of public being present provided that the appropriate procedure for advertising the time and venue has been followed.
 - 7) The unmarked or incorrectly marked tenders will be opened for recording
 - 8) The names and if practical, the total bid amounts will be read out and recorded in the tender register, which will be available for public inspection on request.
 - 9) A copy of the record must be kept in the office of the SCM Manager and a complete schedule provided as soon as is practical.
 - 10) Bid results will be published on the municipality's website.

23. 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.
- 3) No unauthorised communication with bidders and prospective providers:
 - a) where bids and quotations have been submitted to the municipality, a bidder may not communicate with any councilor, official, or authorised service provider on any matter regarding his bid, quotation or offer other than a notice of withdrawal.
 - b) No municipal personnel may communicate with a bidder or any other party who has an interest in a bid, during the period between the closing date for the receipt of the bid or quotation (or date of receipt of an offer), and the date of notification of the successful bidder of acceptance of his bid, quotation or offer, except as provided for in paragraph (c) below. Every such case of unauthorised communication shall forthwith be reported to the Supply Chain Management Unit as well as the chairperson of the Bid Adjudication Committee. A bid or quotation in respect of which unauthorised communication has occurred may be disqualified.
 - c) The budget holder must approach the Bid Evaluation Committee, as determined in paragraph 28(2), to consider authorising an employee or authorised consulting service provider, in writing, to communicate with a bidder during the period mentioned in subsection (d) above for the purpose of:
 - (i) Obtaining an explanation and verification of declarations made in the bid response.
 - (ii) confirming technical particulars and the compliance thereof with specifications.
 - (iii) clarifying delivery times/quantities.

- (iv) extending the validity period of a bid.
- (v) clarifying any other commercial aspect.
- (vi) for the submission of substantiating documents.
- (vii) any other clarifications

e) In all cases where authority has been granted to communicate with bidders in terms of para [1]graph (c) above, it should be clearly stated in the submission to the Bid Adjudication Committee the nature of the communication as well as by whom such authority to communicate has been granted.

24. Two-stage bidding process

- 1) A two-stage bidding process is allowed for – a) large, complex projects; b) projects where it may be undesirable to prepare complete detailed technical specifications; or
c) long term projects with a duration period exceeding three years.
- 2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- 3) In the second stage final technical proposals and priced bids should be invited.

25. Committee system for competitive bids

- 1) The Accounting Officer is required to establish a committee system for competitive bids of at least-
 - (i) a Bid Specification Committee;
 - (ii) a Bid Evaluation Committee; and
 - (iii) a Bid Adjudication Committee.
- 2) The Accounting Officer appoints the members of each committee, taking into account Section 117 of the Act.
- 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) Section 26, 27 and 28 of this Policy; and
 - b) any other applicable legislation.
- 5) The Accounting Officer may apply the committee system to formal written price quotations.

26. Bid Specification Committees

- 1) The bid specification committee must compile the specifications for each procurement transaction 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 Organization, or an authority accredited or recognized 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 trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";
 - f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2022; and
 - g) Must state in the tender documents if the tender will be evaluated on functionality.
- (3) The evaluation criteria for measuring functionality must be objective.
- (4) The tender documents must specify-
- (a) the evaluation criteria for measuring functionality;
 - (b) the points for each criteria and, if any, each sub-criterion; and
 - (c) the minimum qualifying score for functionality.
- (5) The minimum qualifying score for functionality for a tender to be considered further-
- (a) must be determined separately for each tender; and
 - (b) may not be so-
 - (i) low that it may jeopardize the quality of the required goods or services; or
 - (ii) high that it is unreasonably restrictive.
- (6) Points scored for functionality must be rounded off to the nearest two decimal places.
- (a) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- (1) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11.
- 2) must be approved by the Bid Specification Committee prior to publication of the invitation for bids in terms of Section 21 of this Policy.
- 3) A bid specification committee must be composed of at least three (3) officials of the municipality. The attendance of the relevant Project Manager is compulsory, and the Committee 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.
- 5) A quorum will be a minimum of four (4) members (i.e. the Chairperson, another member, an SCM Practitioner and the relevant Project Manager) of the Bid Specification Committee shall constitute a quorum for any formal sitting/meeting of the Bid Specification Committee. In case the Chairperson is not available the members present can appoint the Chairperson for the meeting. A member of the specification committee can also be a member of either the Bid Evaluation or Bid Adjudication Committee (but not both committees) that considers any of the bids for the same goods or services.
- 6) The advertisement must be approved by the Accounting Officer or the official or Bid Specifications Committee delegated by the Accounting Officer, prior to advertisement of the bid.

27. Bid evaluation committees

- 1) The SCM Unit must convene a technical evaluation committee, where,
 - a) The value of the tender for goods and services exceeds the amount of R2 million (excluding VAT),
 - b) The value of the tender for infrastructure exceeds the amount of R2,5 million (excluding VAT),
- 2) The committee must be composed of the Chairperson, at least three members, an SCM Practitioner and the relevant Project Manager.
- 3) The Committee must work through the entire tenders specifications to assess the bidders' ability to rendering service or delivering goods to the municipality.
- 4) The bid evaluation committee must –
 - a) evaluate bids in accordance with
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of Section 27(2)(f);
 - b) evaluate each bidder's ability to execute the contract.
 - c) check in respect of each bidder whether municipal rates and taxes and municipal service charges are not in arrears,
 - d) check in respect of each bidder that their tax matters are in order and;
 - e) may use the following remedies where a bidder does not comply to any or certain requirements–
 - (i) disqualify bidders from the bidding process;
 - (ii) recover all costs, losses or damages the municipality has suffered from the bidder's non-compliance;
 - (iii) claim any damages as a result of having to make less favorable arrangements
 - f) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- 5) A bid evaluation committee must as far as possible be composed of-
 - a) officials from departments requiring the goods or services; and
 - b) at least one supply chain management practitioner of the municipality,
 - c) Technical experts, consultants or advisors, provided that these experts can only actively contribute to discussions, and not vote on the items
 - d) A quorum will be a minimum of four (4) members (i.e. the Chairperson, another member, an SCM Practitioner and the relevant Project Manager) of the Bid Evaluation Committee shall constitute a quorum for any formal sitting/meeting of the Bid Evaluation Committee.
 - e) Attendance of the relevant project manager is compulsory'
 - f) Members of the bid evaluation committees may not serve on any adjudication committee that adjudicates on any of the items that has been considered at a bid evaluation committee.

- g) Notwithstanding the above requirements for consideration, bids not according to specification may not be accepted and the evaluation committee may recommend that new tenders be called if necessary.

28. Bid Adjudication Committees

- 1) The 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) The Bid Adjudication Committee must consist of at least four Directors of the municipality which must include –
 - a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
 - b) at least one senior supply chain management practitioner who is an official of the municipality; and
 - c) a technical expert in the relevant field who is an official, if such an expert exists.
- 3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- 4) The BAC meeting must not continue if the members do not form a quorum.
- 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,
 - b) check in respect of the preferred bidder whether the bidder's taxation matters are in order,
 - c) notify the Accounting Officer.
- 7) The Accounting Officer may –
 - a) after due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee referred to in paragraph (a); and
 - b) if the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- 8) 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.
- 9) The Accounting Officer must:

- a) Comply with Section 114 of the Act within 10 working days if a tender other than the one recommended in the normal course of implementing the supply chain management policy is approved.
 - b) Notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation, in writing,.
 - c) This Section does not apply if a different tender was approved in order to rectify an irregularity.
- 10) The Accounting Officer must publish the bid results on the municipal website.

29. Procurement of banking services

- 1) A contract for banking services –
 - a) must be procured through competitive bids;
 - b) must be consistent with Section 7 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 Section 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

30. 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) SITA may comment on the procurement needs submitted per Sub-Section (3)
- 5) If the municipality disagrees with comments made by SITA, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the Provincial Treasury and the Auditor-General.

31. 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) Sub-Sections (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.

32. Procurement of goods necessitating special safety arrangements

- 1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.
- 2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

33. Proudly SA Campaign

- 1) The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
 - a) Firstly – suppliers and businesses within the municipality or district;
 - b) Secondly – suppliers and businesses within the relevant province;
 - c) Thirdly – suppliers and businesses within the Republic.

34. Appointment of consultants

- 1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services, as well as the Section 5 of the Bergvriervier Municipality Council's Approved Cost Containment Policy, have been 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 R300 000; 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.
- 5) The appointment of advisors must also follow the same competitive bidding process as set out in this Policy.
- 6) No advisor will take any part in the final decision-making process regarding the award of bids.
- 7) No decision-making authority may be delegated to an advisor.

35. Deviation from, and ratification of minor breaches of, procurement processes

- 1) The Accounting Officer may –
 - a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (i) in an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address.
 - (ii) where it can be demonstrated that 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.
- b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature; and
 - c) may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this Policy, provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting.
- 2) The Accounting Officer must record the reasons for any deviations in terms of Sub-Sections (1)(a) and (b) of this policy and report them to the next meeting of Council and include as a note to the annual financial statements.
 - 3) Sub-Section (2) does not apply to the procurement of goods and services contemplated in Section 11(2) of this policy.

36. 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 Sub-Section (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 Sub-Section (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 consider –
 - a) any comments submitted by the public; and
 - b) any written comments and recommendations of the National Treasury or the 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 Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. 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.

37. 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, favoritism, 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) take cognizance of the provisions of Chapter 2 of the Competition Act no 89 of 1998, with specific reference to:
 - (i) restrictive practices;
 - (ii) abuse of a dominant position;
 - and
 - (iii) exemption from application of Chapter 2 of the Act.
 - e) 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; unless a suitable arrangement has been made between the bidder and the Bergrivier Municipality that the total amount in arrears be recovered directly from the bidder’s invoices during the contract period. The said debt repayment plans are selectively for local bidders, who reside within the Bergrivier Municipal area. All other bidders residing outside the Bergrivier Municipality area are excluded from such arrangements”, 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.
 - f) 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;
- g) 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
- h) 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 has been listed in the Register for Tender Defaulters in terms of Section 29 of the Prevention and has been in contravention of the Competition Act no 89 Of 1998.
- i) No person placing a procurement requisition for goods or Services shall knowingly understate the requirements of the estimated value with the intention of avoiding a more stringent procurement process. This includes the deliberate splitting of requirements to reduce individual order values. Procurement is limited to R300 000 per commodity type per month unless a competitive bidding process has been undertaken. The Municipal Manager shall promptly institute disciplinary action against any person infringing this requirement.
- j) No official shall engage in contact with a prospective supplier in respect of a quotation or tender which the supplier intends to submit except where clarification of requirements is required from either party, or where the Accounting Officer may negotiate with identified preferred bidders. Any such communication must be recorded and appropriately filed with the bid documentation.
- k) The Accounting Officer may, where a bidder has contravened the prescriptions of the Competition Act no 89 of 1998 –
 - (i) recover all costs, losses or damages the Municipality suffered as a result of the bidder's conduct;
 - (ii) cancel the contract and claim any damages which the Municipality has suffered as a result of having to make less favorable arrangements due to such cancellation;
 - (iii) restrict the bidder or contractor, its shareholders, and directors, or only the shareholders and directors who acted on a fraudulent basis; and
 - (iv) forward the matter for criminal prosecution.
- 2) The Accounting Officer must inform the National Treasury and relevant Provincial Treasury in writing of any actions taken in terms of Sub-Sections (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

38. Logistics Management

- 1) The Accounting Officer must establish and implement an effective system of logistics management, which must include -
 - (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
 - (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.
 - (h) monitoring and review of the distribution of items,
 - (i) monitoring and review of losses and surpluses.

39. Disposal management

- 1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets will be subject to Sections 14 of the Act, and asset transfer regulations;
- 2) Assets may be disposed of by –
 - (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset
- 3) The Accounting Officer must ensure that –
 - a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

- e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are reviewed annually;
- f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

In consideration of (a) and (b) above it is necessary to understand the terminology and principles contained in the requirements as follows:

Minimum levels of basic service – Consideration must be given to current need for services as well as future needs, we can therefore not sell a property now and then need to buy a similar property later at a higher price to provide a municipal service.

Fair market value – The price that a willing buyer is willing to pay a willing seller in an arms-length transaction. Only a professional registered valuer can determine this valuation.

It also determines in Section 14(5) of the MFMA that any transfer of ownership of a capital asset must be fair equitable, transparent, competitive and consistent with the disposal management system, thus the supply chain management policy of the municipality.

The supply chain policy of the municipality requires the disposal of capital assets to be fair, equitable transparent and competitive.

WHEN AN APPLICATION IS RECEIVED, DO THE FOLLOWING:

1. Determine whether the property in question is an exempted or non-exempted capital asset in terms of the MFMA. Property is exempted if transferred to a municipality, municipal entity, provincial organ of state etc. *(See definitions in the Regulations and MFMA, Sect 14(6) to determine whether an asset is exempted or not)*
2. **All moveable assets will be sold by way of a public auction and immovable assets will be sold on a SCM process.**
3. If Non-exempted it may only be transferred after the following was done:
 - a. Accounting officer has conducted a public participation process.
 - b. Municipal council has made the following determinations in terms of Section 14(2) of the MFMA in a meeting open to the public
 - i. That the asset is not needed to provide the minimum level of basic municipal services
 - ii. Considered the fair market value and economic and community value to be received in exchange for the asset.
 - c. Public participation process only needed to inform the determination by council in (i) and (ii) above if the asset is a high value capital asset (R10 Mil) or (exceeds 1% of total value of assets thus more than R3.8 Million)
 - d. Only the council may authorise a public participation process referred to in (a) and a request to approve the process must be accompanied by the following:
 - i. Valuation
 - ii. Reasons for disposal
 - iii. Expected benefits to municipality
 - iv. Expected proceeds to be received
 - v. Any expected gain or loss
 - e. If a public participation process is authorised the Accounting officer must:
 - i. At least 60 days prior to meeting make public i.t.o. Section 21A of the Municipal Systems Act (Advertisement in Local Media and on Web page) the proposal to transfer or dispose.
 - ii. Invite the local community to comment



iii. Solicit views from NT and PT

4. Consideration of proposals – Upon consideration of a proposal, a municipal council must take into account:

- The factors as set out in Regulation 7 (a) to (l) must be considered
 - (a) Whether it may be required for own use
 - (b) The expected loss or gain to result from the transaction
 - (c) The extent to which the compensation will result in a financial loss or gain to the municipality
 - (d) The risk and reward associated with the operation or control of the asset in relation to the municipality's interests
 - (e) The effect of the disposal/transfer on the credit rating ability to raise loans, cash flow position
 - (f) Any limitations or conditions attached to the asset
 - (g) Estimated cost of the proposed transfer
 - (h) Transfer of any liabilities and reserves associated with the asset
 - (i) Comments or representations received from the local community
 - (j) Written views from the NT and PT
 - (k) Interests of the state, municipality or community at stake
 - (l) Compliance with legislative regime

The report to council should contain these questions in a table format and the questions needs to be answered by the department

5. Conditional approval – Regulation 11 states that; Approval **in principle** may be given to transfer a non-exempted capital **asset subject to any conditions**, including

- a. The way it is to be sold or disposed of
- b. Floor price or minimum compensation
- c. If price is less than fair market value consider the following: (Reg. 13(2))
 - i. Is it in the public interest
 - ii. Does it address the plight of the poor
 - iii. Take into account the interest of the local community and the state
 - iv. The strategic economic interest of the municipality including long term
 - v. Constitutional rights of all parties affected by the decision
 - vi. Whether the interest of the affected carries more weight than that of the local community (individual interest vs. collective interest)
 - vii. If local community would be served better if the asset is transferred at less than fair market value compared to fair market value.
- d. A framework within which direct negotiations for the transfer or disposal of the capital asset must be conducted with another person if the proposal is subject to direct negotiations.

6. Regulation 12 determines that; Disposal of a non-exempted capital asset may take place only in accordance with Disposal Management Process (SCM process), irrespective of;

- a. The value of the capital asset.
- b. Whether the asset is to be transferred to a private sector party or an organ of state.

Thus after council decides upon the disposal method, whether sale or rental, an appropriate SCM process must be followed, the value of the property will determine the SCM process.

If an offer is received prior to council decision or as a triggering occurrence, it should still be subjected to an appropriate SCM process after the in-principle decision has been obtained from the council. An offer to purchase or rent is regarded as being an unsolicited bid and the process to be followed is long and arduous and requires National Treasury input and have prolonged timeframes, advertisement requirements, it is therefore not recommended.

7. Regulation 12(2) determines when the disposal management system (usually SCM system) does not apply and that is only:

- a. If the municipality reviews its service delivery mechanism i.t.o. chapter 8 of the Municipal Systems Act
- b. If the municipality appoint a private sector party through a competitive process for the performance of a municipal service
- c. If the capital asset is transferred as an integral component of the performance of that municipal service to the service provider.

GRANTING OF RIGHTS TO USE CONTROL OR MANAGE CAPITAL ASSETS

8. The requirements of chapter 4 does not apply to:

- a. Right to use, control or manage i.t.o. PPP's
- b. Right on municipal to housing for the poor

Regulation
33

The granting of a right to use, manage and control a capital asset must be dealt with in accordance with Chapter 2 (Thus similar to disposal of capital assets) if:

- a. The right is granted for an undetermined period
- b. The period exceeds the useful life or economic usefulness
- c. Confers on the person to whom the right is granted;
 - i. The option to buy or acquire ownership
 - ii. The power to use, control or manage as if the person is the beneficial but not legal owner.

9. A municipality may grant the right to use, manage or control a capital asset (Reg. 34 (1)(b) but only after the accounting officer has conducted a public participation process in accordance with Reg. 35 and the council has given an in-principle approval.

A request to authorise a public participation process must be accompanied by an information statement containing:

- i. Reasons for disposal
- ii. Expected benefits to municipality
- iii. Expected proceeds to be received
- iv. Any expected gain or loss

Public participation only necessary is Value in excess of R10 Million **and** a long-term right is proposed to be granted. (Long-term - a period of more than 3 years)

10. Regulation 35 determines that the accounting officer must at least 60 days before the meeting where the council considers the decision to grant a right to use, manage and control a high value capital asset (in excess of R10 Million) make public the proposal in accordance with Section 21A of the MSA inclusive of

- a. Information statement
- b. Invite the local community for comment and representations
- c. Solicit views from NT and PT

11. If the control of the property is relinquished by decision of council for a long term lease or other means of controlling the asset than that of an outright sale, the determinations in terms of Regulation 36 of the MAT regulations must also be taken into account being:

- a. Whether the capital asset may be required for the municipality's own use during the period for which the right is granted
- b. The extent to which any compensation to be received for the right together with the estimated value of any improvements or enhancements to the capital asset that the private sector party or organ of state to whom the right is granted will be required to make, will result in a significant economic or financial benefit to the municipality.

- c. The risks and rewards associated with the use, control or management of the capital asset in relation to the municipality's interests;
 - d. Any comments representations on the proposed granting of the right received from the local community and other interested persons;
 - e. Any written views and recommendations on the proposed granting of the right by the National Treasury and relevant provincial treasury
 - f. The interests of any affected organ of state, the municipality's own strategic, legal and economic interests of the local community; and
 - g. Compliance with the legislative regime applicable to the proposed granting of the right.
12. Once the decision of the council has been taken in disposing the asset or to relinquish the control over the asset by means of a rental or a long-term rental, the SCM processes must be followed for the disposal of the property. (Regulation 41)
 13. When an item is taken to council for consideration, the council must be made aware of the valuation of the property as well as give consideration to the requirements in point 10 above.
 14. In-principle approval can be granted and conditions may also be attached to the in-principle approval as contained in Regulation 40 (a)(b) and(c).
 15. Delegations – The power to make a determination as prescribed in Section 14 (2)(a) and(b) of the MFMA in respect of the need for municipal services and valuation, in accordance with Regulation 5 as well as 34 and to then decide to either sell or relinquish control can be delegated to the Accounting officer below a prescribed value (The municipal council to determine the value)

(3) 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.

(4) The accounting officer must ensure that -

- (a)** when immovable property is sold by means of a competitive bidding process, the highest price offered shall be accepted, provided such price is equal to or higher than the market related price for the relevant immovable property;
- (b)** in other cases, only at a market related price except when the public interest or the plight of the poor demands otherwise in which event the sale price shall be determined in accordance with the applicable land disposal or indigent policy adopted by the council;
- (c)** movable assets are sold either by way of public auction at the highest offered price, provided such price is market related;
- (a)** firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

- (d) immovable property is let at market related rentals except when the public interest or the plight of the poor demands otherwise in which event the rental shall be determined in accordance with the applicable land disposal or indigent support policy adopted by the council;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (e) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
 - (f) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate, within 30 days, whether any of the local schools are interested in the equipment.
 - (g) The SCM unit will prepare a list for disposal and then the office of the Mayor can decide if assets must be removed from the list for the use by registered NGO,s that have a need, before the SCM process can start.
- (5) This paragraph must be read with and applied in conjunction with the Municipal Asset Transfer Regulations contained in Government Notice R. 878 of 22 August 2008 and the associated policies adopted by the council. In the event of conflict, the provisions of the aforesaid Regulations shall be applied.

40. Risk management

- 1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, must be identified.
- 2) Risk management must include –
 - (i) the identification of risks on a case-by-case basis;
 - (ii) the allocation of risks to the party best suited to manage such risks;
 - (iii) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (iv) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (v) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
- 3) The Accounting Officer must ensure that risks are identified utilizing the following methods –
 - (i) Focus group sessions;
 - (ii) Personal interviews;
 - (iii) Questionnaires;
 - (iv) Audit reports analysis;
 - (v) Statistical analysis of related risk data;
 - (vi) Trend analysis;
 - (vii) Scenario analysis; and
 - (viii) Forecasting methodologies.

- 4) The Accounting Officer must ensure that a risk register is implemented consisting of the following–
 - (i) Each risks identified with a unique number;
 - (ii) Description of the risk;
 - (iii) Assessment of occurrence or likelihood and its impact if it does;
 - (iv) Grading of risk;
 - (v) Responsibility for managing the risk; and
 - (vi) Proposed mitigation processes.

- 5) The Accounting Officer must ensure that all risks are assessed and indicating the magnitude of the risk as well as the probability of occurrence;

- 6) The Accounting Officer must ensure that a risk strategy is implemented which may include the following-
 - (i) avoiding the risk by eliminating the action;
 - (ii) treating the risk, how the risk can be prevented and if it were to occur how the impact can be minimized;.
 - (iii) transfer or outsource the risk;
 - (iv) tolerate the risk.

- 7) The Accounting Officer must ensure that all risk related matters are reported and that a communication plan which may consist of the following is implemented –
 - (i) responsibility for the communication;
 - (ii) frequency of communication;
 - (iii) format of communication;
 - (iv) record of communication.

41. 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 Accounting Officer must ensure that the following issues are reported on a quarterly basis –
 - (i) Achievement of preferential procurement goals and objectives;
 - (ii) Implementation of the Supply Chain Management Policy of the municipality;
 - (iii) Compliance to SCM norms and standards such as the municipal supply chain management regulations, National Treasury’s model policy, standard bid documents and the general conditions of contract;
 - (iv) Savings generated, amongst others, by arranging contracts for the purpose of developing economies of scale;
 - (v) Stores efficiency, (the proper layout of stores through clear bin locations and bin numbering, promptly satisfying the users requirements, etc.)
 - (vi) Contract breach either by the municipality or contractors;
 - (vii) Cost efficiency of the procurement process;

- (viii) That the supply chain objectives are consistent with Government's broader policy focus on trade, small business development, anti-corruption measures and the proudly South African.

Part 4: Other matters

42. Prohibition on awards to persons whose tax matters are not in order

- 1) No award above **R15 000** may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be complying.
- 2) Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are complying.
- 3) Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by the bidder to the municipality must be verified via the CSD or e-Filing.
- 4) The Accounting Officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above.

43. 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 –
 - (i) a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;
 - (ii) an official of any municipality;
 - (iii) 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).
 - (iv) a member of the board of directors of any municipal entity;
 - (v) an executive member of the accounting authority of any national or provincial public entity;
 - c) a person who is an advisor or consultant contracted with the municipality.

44. Awards to close family members of persons in the service of the state

- 1) The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –
 - a) the name of that person;
 - b) the capacity in which that person is in the service of the state;
 - and
 - c) the amount of the award.

45. Ethical standards

- 1) All officials involved in supply chain management for the municipality must comply with the Code of Conduct prescribed in the Municipal Systems Act, the Supply Chain Management Framework and the Code of Conduct for Supply Chain Management role players as prescribed.
- 2) A code of ethical standards is hereby established for officials and other role players in the Supply Chain Management System 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.
- 3) An official or other role player involved in the implementation of the Supply Chain Management Policy:
 - a) must treat all providers and potential providers equitably;
 - b) may not use his or her position for private gain or to improperly benefit another person;
 - c) may not accept any rewards, gift, favor, hospitality or other benefit directly, including to any close family member, partner or associate of that person, of a value more than R350;
 - d) notwithstanding Sub-Section 48(2)(c), must declare to the Accounting Officer details of any reward, gift, favor, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;
 - f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - g) must be scrupulous in his or her use of property belonging to the Municipality;
 - h) must assist the Accounting Officer in combination fraud, corruption, favoritism, and unfair and irregular practices in the supply chain management system; and
 - i) must report to the Accounting Officer any irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favoritism, or unfair conduct
 - (ii) any alleged contravention of Section 49(1) of this Policy; or
 - (iii) any alleged breach of this of this code of ethical standards.
 - j) Declarations in terms of Sub-Sections 49 (2) (d) and (e)-
 - (i) must be recorded in a register which the Accounting Officer must keep for this purpose;
 - (ii) by the Accounting Officer must be made to the Mayor of the Municipality who must ensure that such declarations are recorded in the register.
 - k) The National Treasury Code of Conduct must also be considered by supply chain management practitioners and other role players involved in supply chain management.

- l) The National Treasury Code of Conduct for Supply Management Practitioners, attached as Annexure A, is adopted by the Municipality, and shall apply mutatis mutandis to and be binding on supply chain management of the Municipality.
- m) A breach of the code of conduct adopted by the Municipality must be dealt with in accordance with Schedule 1 (code of Conduct for Councilors) and Schedule 2 (Code of Conduct for Municipal Staff Members) of the Municipal Systems Act, No 32 of 2000.

46. Inducements, rewards, gifts, and favors 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, favor 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 Sub-Section (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) Sub-Section (1) does not apply to gifts less than R350 in value.

47. 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.

48. 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.

49. 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 during the supply chain management system; or
 - (iii) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

- b) Suppliers must provide details of the reasons for their appeal including any noncompliance with this Policy, the MFMA and related legislation. The Accounting Officer shall provide written acknowledgement of the receipt of appeals to the appellant;
 - c) If the appeal is based on a technically complex matter, the Accounting Officer may engage an impartial external advisor, provided that their engagement is compliant with this Policy and sufficient budgetary provision exists. The Accounting Officer is not bound by any opinion provided.
 - d) The Accounting Officer will decide if an appeal constitutes sufficient grounds for delay of procurement from the approved supplier, and if a delay is practical. If the Accounting Officer determines there are grounds for delay, the approved supplier will be advised in writing of the reasons for the delay.
 - e) When a ruling on an appeal has been made, the Accounting Officer will advise the appellant in writing of the outcome.
- 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) The Provincial Treasury may refer the query to the National Treasury for resolution.
 - 6) This Policy must not be read as affecting a person's rights to approach a court at any time.

50. Appeals

- 1) A person whose rights are affected by a decision taken to award a tender by a municipality, in terms of a power or duty delegated or sub-delegated by a delegating authority, may appeal against that decision, by giving written notice of the appeal and reasons to the Accounting Officer within 21 days of the date of the notification of the decision.
- 2) When the appeal is against a decision taken by a staff member or committee other than the Accounting Officer, the Accounting Officer must consider the appeal or refer it to the appeal authority when appropriate;
- 3) The Accounting Officer must promptly submit the appeal to the appropriate appeal authority.
- 4) 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.
- 5) An appeal authority must commence with an appeal within six weeks and decide the appeal within a reasonable period.
- 6) This Policy must not be read as affecting a person's rights to approach a court at any time.

51. Contracts and contract management

- 1) A contract or agreement procured through the supply chain management system of the municipality must—

- a) be in writing;
 - b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—
 - (i) the termination of the contract or agreement in the case of non- or underperformance;
 - (ii) dispute resolution mechanisms to settle disputes between the parties;
 - (iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
 - (iv) any other matters that may be prescribed.
- 2) The accounting officer must—
- a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;
 - b) monitor on a monthly basis the performance of the contractor under the contract or agreement;
 - c) establish capacity in the administration of the municipality or municipal entity—
 - (i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and
 - (ii) to oversee the day-to-day management of the contract or agreement; and
 - (iii) regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
 - d) A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, but only after—
 - e) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
 - f) the local community—
 - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
 - (ii) has been invited to submit representations to the municipality or municipal entity.
 - g) Amendments, expansion, variation of contracts may be considered by the Accounting Officer if the value does not exceed 15% of the value of the contract or 20% of the value of the contract for construction-related contracts.

52. Contract Management

- 1) The Accounting Officer must ensure that all bids and contracts are subject to the General Conditions of Contract and any Special Conditions of Contract, if specified;
- 2) All contracts must be based on the General Conditions of Contract, issued by the National Treasury. Any aspect not covered by the General Conditions of Contract must be dealt with in the Special Contract Conditions;
- 3) Matters such as attendance of compulsory site meetings, briefing sessions and special delivery conditions must be covered in the Special Conditions of Contract with the proviso that the standard wording of the General Conditions of Contract should not be amended;
- 4) The General Conditions of Contract, International Federation of Consulting Engineers (FIDIC) regulations and the Joint Building Contracts Committee (JBCC) guidelines issued by the

Construction Industry Development Board are utilized in cases of bids related to the construction industry;

- 5) Where the Special Conditions of Contract conflicts with the General Conditions of Contract, the Special Conditions of Contract will prevail;
- 6) These conditions must form an integral part of the bidding documents.

53. Contract Administration

- 1) Contract administration includes all administrative duties associated with a contract that has arisen through one of 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. 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.
- 3) A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.
- 4) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.
- 5) The contract manager shall take all reasonable steps to ensure that a contract procured through the provisions of this policy is properly enforced.
- 6) In administering a contract, the contract manager will be required to form opinions and make decisions which, while in the Municipality's best interests, must be fair to all parties concerned.
- 7) Director shall be responsible for ensuring that contract managers:
 - a) are assigned to all contracts within the Director's area of responsibility;
 - b) are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.
- 8) In discharging his duties, the contract manager shall:
 - 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 contracts related to the procurement of goods and services are captured on the contract management system in the form of a price schedule;
 - c) ensure that all original contract documentation is lodged with the Supply Chain Management Unit for record purposes;
 - d) monitor, on a monthly basis, the performance of the contractor in order to ensure that all of the terms and conditions of the contract are met, including the contractor's obligations as regards Broad-Based Black Economic Empowerment, targeted labour and/or resources and local production and content, as applicable;
 - e) where necessary, take appropriate action where a contractor is underperforming or is in default or breach of the contract;
 - f) manage contract variation or change procedures;
 - g) administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;
 - h) conduct, as appropriate, post contract reviews;
 - i) maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
 - j) act with care and diligence and observe all accounting and legal requirements.

54. 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
 - b) that such compensation must be performance based.

55. Contracts having future budgetary implications

- 1) A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if—
- a) the municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved—
 - (i) has, in accordance with section 21A of the Municipal Systems Act—
 - (aa) made public the draft contract and an information statement summarizing the municipality's obligations in terms of the proposed contract; and
 - (bb) invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and
 - (ii) has solicited the views and recommendations of—
 - (cc) the National Treasury and the relevant provincial treasury;
 - (dd) the national department responsible for local government; and
 - (ee) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;
 - b) the municipal council has taken into account—
 - (i) the municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;
 - (ii) the impact of those financial obligations on the municipality's future municipal tariffs and revenue;
 - (iii) any comments or representations on the proposed contract received from the local community and other interested persons; and
 - (iv) any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph (a)(ii)(cc); and
 - c) the municipal council has adopted a resolution in which—
 - (i) it determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;
 - (ii) it approves the entire contract exactly as it is to be executed; and
 - (iii) it authorises the municipal manager to sign the contract on behalf of the municipality.
- 2) The process set out in subsection (1) does not apply to—
- a) contracts for long-term debt regulated in terms of section 46(3).

- b) employment contracts; or
 - c) contracts—
 - (i) for categories of goods as may be prescribed; or
 - (ii) in terms of which the financial obligation on the municipality is below—
 - (aa) a prescribed value; or
 - (bb) prescribed percentage of the municipality's approved budget for the year in which the contract is concluded.
- 3) All contracts referred to in subsection (1) and all other contracts that impose a financial obligation on a municipality—
- a) must be made available in their entirety to the municipal council; and
 - b) may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
- 4) Sub-Section (a)(i) does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.

56. Commencement

This Policy takes effect on the date as approved per Council resolution.

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

- 1) 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.
- 2) 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.
- 3) 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

- 1) 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, favor, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, to the value of R350 or more;
 - d) must declare to the Accounting Officer details of any reward, gift, favor, 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

- 1) Practitioners are accountable for their decisions and actions to the public.
- 2) Practitioners should use public property scrupulously.
- 3) Only Accounting Officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.
- 4) All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system.
- 5) Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- 6) Practitioners must assist the Accounting Officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system.
- 7) 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:
 - a) any alleged fraud, corruption, favoritism or unfair conduct;
 - b) any alleged contravention of the policy on inducements, rewards, gifts and favors to municipalities or municipal entities, officials, or other role players; and
 - c) any alleged breach of this code of conduct.
- 8) Any declarations made must be recorded in a register which the Accounting Officer must keep for this purpose.
- 9) 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

- 1) 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 / contractor's personal rights.
- 2) 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

- 1) 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.
- 2) 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.
- 3) 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.
- 4) No person should –
 - a) interfere with the supply chain management system of the municipality; or

- b) amend or tamper with any price quotation / bid after its submission.

7 Combative Practices

- 1) Combative practices are unethical and illegal and should be avoided at all costs. They include but are not limited to:
 - a) Suggestions to fictitious lower quotations;
 - b) Reference to non-existent competition;
 - c) Exploiting errors in price quotations / bids;

8. CONSEQUENCE MANAGEMENT – SECTION 175 OF THE MFMA

The code of ethical standard shall apply to all 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.

A breach of the aforesaid 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 with due regard to the severity of the breach;
- (c) in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.


ANNEXURE B

SCHEDULE TO SMALL BUSINESSES ACT NO. 102 OF 1996

Column 1	Column 2	Column 3	Column 4	Column 5
Industry or sub-sector in accordance with the Standard Industrial Classification	Size of class	Total full-time equivalent of employees	Total turnover	Total gross asset value (property included)
Manufacture	Small		R 10 m R 4 m	
Construction and Quarrying	Small		R 13 m R 5 m	

City, Gas and Water	n			
	mall		m	m
uction	n			
	mall			m
and Motor Trade and Services	n		n R 19 m R 4 m	
	mall		m	m
sale Trade, Commercial Agents and Allied Services	n		n R 32 m R 6 m	
	mall		m	m
g, Accommodation and other Trade	n			
	mall		m	m
ort, Storage and unications	n		n R 13 m R 3 m	
	mall		m	m
e and Business es	n		n R 13 m R 3 m	
	mall		m	m
unity, Social and al Services	n			
	mall			

Examples of the documents to be used for the Infrastructure gates implementation.

	<h2>BERGRIVIER MUNICIPALITY</h2> <h3>PG1: Permission to start the procurement process</h3> <p style="text-align: center;">Gate 1.</p>												
<p>Proposed procurement</p> <p>Project no: Project description:</p> <p>Reference No: Title:</p>													
<p>Activity 1 of Table 3 of the National Treasury Standard for Infrastructure Procurement and Delivery Management states the following:</p> <table border="1"> <thead> <tr> <th colspan="2">Activity</th> <th colspan="2">Sub-Activity</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="text-align: center;">1</td> <td rowspan="3">Establish what is to be procured (Applies only to goods and services not addressed in a procurement strategy developed in terms of 4.1)</td> <td style="text-align: center;">1.1</td> <td>Prepare broad scope of work for procurement</td> </tr> <tr> <td style="text-align: center;">1.2</td> <td>Estimate financial value of proposed procurement</td> </tr> <tr> <td style="text-align: center;">1.3 PG1</td> <td>Obtain permission to start with the procurement process</td> </tr> </tbody> </table>		Activity		Sub-Activity		1	Establish what is to be procured (Applies only to goods and services not addressed in a procurement strategy developed in terms of 4.1)	1.1	Prepare broad scope of work for procurement	1.2	Estimate financial value of proposed procurement	1.3 PG1	Obtain permission to start with the procurement process
Activity		Sub-Activity											
1	Establish what is to be procured (Applies only to goods and services not addressed in a procurement strategy developed in terms of 4.1)	1.1	Prepare broad scope of work for procurement										
		1.2	Estimate financial value of proposed procurement										
		1.3 PG1	Obtain permission to start with the procurement process										
<p>Permission is only required for procurements which are not included in an approved procurement strategy developed in accordance with the provisions of 4.1.4 (Stage 2: Strategic resourcing) of the National Treasury Standard for Infrastructure Procurement and Delivery Management</p>													
<p>Broad scope of work</p>													
<p>The need and motivation for the procurement</p>													
<p>Estimated financial value of procurement including VAT</p> <p>R</p>													

Permission to start procurement process prepared by:

Name:

Designation:

Tel:

Date:

email:

Permission to procedure with the procurement process recommended by:

[name of person]

[Designation]

Signature:

Date:

Permission granted to procedure with the procurement process

[name of designated person – see SCM policy]

[Designation]

Signature:

Date:



Bergrivier Local Municipality

A2: Approval to apply the procurement strategy

(GATE 2)

Proposed procurement

Project no:

Project description:

Reference No:

Title:

Type of contract: *(check appropriate box)*

Professional service

Engineering and construction works

Service

Supply

Subclause 14.2.1 of the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires that goods or services or a combination thereof should generally be procured from the open market. Tenders may, however, be solicited from a confined market where:

- a) it is established with reasonable certainty that only a sole contractor is able to provide the goods or services or any combination thereof or only a very limited number of contractors are able to provide goods, services or works which are not freely available in the market, or which are provided solely for the organ of state in accordance with unique requirements;
- b) there is justification for standardising goods or making use of manufacturer-accredited service providers;
- c) a change in product or manufacturer requires modifications to related equipment and fixtures, e.g. a replacement pump requires costly changes to mountings, pipework or electrical connections or the replacement of circuit breakers requires costly changes to mounting frames, face panels, busbars, wiring and the like; or
- d) a replacement model requires the holding of additional spares or maintenance personnel.

Subclause 14.2.3 of the SIPDM requires that prior approval be obtained for the confined market procedure, unless such a procedure is already provided for in the approved procurement strategy, 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 (presence of, or the imminent risk of, an extreme or emergency situation arising from human injury or death, human suffering or deprivation of human rights, serious damage to property or financial loss, livestock or animal injury, suffering or death, serious environmental damage or degradation or interruption of essential services) and which can be dealt with, or the risks relating thereto arrested, within 48 hours.

Broad scope of work

Estimated financial value of procurement including VAT

R

Confined market to be approached

(tick one box)

The list of tenderers to be invited to submit tender offers is as follows:

The basis for determining the list of tenderers to be invited to submit tender offers:

Motivation

Recommended for approval by:

[name of person]

[Designation]

Signature:

Date:

Approval to use the confined market procedure:

[name of designated person – see SCM policy]

[Designation]

Signature:

Date:



BERGRIVIER MUNICIPALITY

PG3: Approval of the procurement document

Gate 3

Proposed contract

Project no: **Project description:**

Tender No: **Title:**

Brief description of work associated with the contract:

Framework contract: yes no

Estimated total of the prices for the proposed contract including VAT and price adjustment for inflation:

(if a framework agreement – state not applicable)

Time (no of weeks from start of the contract to completion/ delivery / end of service):

Procurement procedure: *(check appropriate box)*

Negotiation Confined market Competitive selection Competitive negotiation

Type of procurement document *(check appropriate box):*

expression of interest tender contract

Procurement Gate 3 of the control framework for infrastructure procurement contained in the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires that approval of the procurement documents be obtained.

The clauses in the SIPDM relating to this activity are as follows:

4.2.2.1 The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:

- a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

4.2.2.2 The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure shall confirm that:

- a) the procurement documents have been formatted and compiled in accordance with the requirements of SANS 10845-2, this standard and, where applicable, the CIDB Standard for Uniformity in Construction Procurement, and are aligned with the approved procurement strategy;
- b) appropriate prompts for judgement are included in procurement documents in accordance with the requirements of SANS 10845-1 whenever quality is evaluated and scored in the evaluation of calls for expressions of interest or tender offers;
- c) the selected form of contract in the case of a tender that is solicited is in accordance with the requirements of 14.5.3 and any standard templates required by the organ of state have been correctly applied;
- d) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract, conditions of tender or conditions for the calling for expressions of interest, as relevant, not provided for in the organ of state's approved templates;
- e) the selected submission data in the case of a call for an expression of interest, or tender data and contract data options in the case of a tender, are likely to yield best value outcomes;
- f) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided, and satisfies the drafting requirements of SANS 10845-1;
- g) the submission or returnable documents are necessary and will enable submissions to be evaluated fairly and efficiently; and
- h) the risk allocations in the contract and pricing data are appropriate.

4.2.2.3 The review conducted to confirm the provisions of 4.2.2.2 and 4.2.2.3 shall identify sections, if any, which require amendments or improvements.

4.2.2.4 The documentation review report shall:

- a) list the names and qualifications of the team members;
- b) confirm that the documents are in accordance with the requirements of this standard;
- c) capture any comments or opinions which the team may wish to express; and
- d) recommend that the procurement documents be accepted with or without modifications.

Clause 4.2.2.1 requires that the review report be prepared by one or more persons who are registered as a professional architect, professional senior architectural technologist, professional landscape architect, professional landscape technologist, professional engineer, professional engineering technologist or professional quantity surveyor where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure.

Procurement documentation reviewers

Name	Qualifications (professional registration and number, if applicable)

Attach copy of procurement documentation review report (see Annexure A)

Members of the procurement documentation committee

Name	Designation / qualifications

Procurement document approved by:

Chairperson of the Procurement Documentation Committee

Signature:

Date:



Bergrivier local Municipality

Confirmation of the budget

Gate 4

Proposed contract

Project no: **Project description:**

Tender No: **Title:**

Estimated total of the prices for the contract:

Brief description of work associated with the contract:

Time (no of weeks from start of the contract to completion/ delivery / end of service):

Estimated starting date:

Procurement Gate 4 of the control framework for infrastructure procurement contained in the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires confirmation that budgets are in place before proceeding with the tender process.

Infrastructure is delivered in terms of a multiyear budget. Budget provisions accordingly need to be considered in the first instance over the financial years that payment for the order needs to be made.

Expending budget on a contract frequently has an impact on a programme of projects. The appropriateness of the allocation of budget to the proposed contract in question in relation to the prioritisation and remaining budget for other projects within a programme also needs to be considered. Clause 6.1 of the SIPDM states the following:

6.1 The demand management system shall be aimed at ensuring that goods and services, and any combination thereof required to support strategic and operational commitments, are delivered at the right price, time and place, and that the quality and quantity of such goods or services satisfy needs.

Demand management considerations dictate that this confirmation is not simply a check to confirm that there is sufficient budget available for the work covered by the order. Value for money and impact on other projects in the issuing of the order may also need to be considered.

Risk provisions and price adjustment for inflation

Is the contract subject to price adjustment for inflation? (*check appropriate box*):

No Yes If yes, what is the estimated value, including VAT - R

What contingency amount should be made for risk events expressed as a percentage of the estimated value:
%

NOTE A contingency amount is a provision for a future event or circumstance which is possible but cannot be predicted with certainty.

Budgetary provision for the order

Component	Rand	Total
Estimated total of the prices for the contract	R	
Estimated price adjustment for inflation	R	
Contingency provision	R	
Subtotal		R
Vat		R
Total		R

Recommendation for confirmation of budget made by:

[name of person]

[Designation]

Signature:

Date:

Budget confirmed by:

[name of designated person – see SCM policy]

[Designation]

Signature:

Date:



BERGRIVIER MUNICIPALITY

PG5: Authorisation to proceed to the next phase of the procurement process

(qualified, nominated, proposal or open / restricted competitive negotiations procedure only)

Gate 5

Proposed contract

Project no:

Project description:

Tender No:

Title:

Framework contract: yes no (tick appropriate box)

Estimated total of the prices for the contract including VAT and price adjustment for inflation:

(if a framework agreement – state not applicable)

Time (no of weeks from start of contract to completion/ delivery / end of service):

Brief description of work associated with the contract:

Authorisation required: (tick appropriate box)

Procedure	Authorisation sought
Competitive selection procedure	
<input type="checkbox"/> nominated	admit to an electronic data base
<input type="checkbox"/> proposal using two envelope system	open financial proposals
<input type="checkbox"/> proposal procedure using a two stage system	proceed with the next round
<input type="checkbox"/> qualified	invite respondents to submit tender offers
Competitive negotiation procedure	
<input type="checkbox"/> restricted	invite respondents to submit tender offers
<input type="checkbox"/> restricted / open	Invite tenderers to make next round submissions/ best and final offers

other (specify):

Procurement Gate 5 of the control framework for infrastructure procurement contained in the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires that authorisation is required to proceed to the next phase of the tender process where the qualified, proposal or competitive procurement procedure is pursued. Such authorisation is based on the acceptability of an evaluation report.

The clause in the SIPDM relating to this activity are as follows:

4.2.4 The person authorised to enable a procurement process to progress to the next phase of the process shall review the evaluation report and either refer the report back to those responsible for such a report or authorise the procurement process to proceed to the next phase after:

- a) confirming that the report is complete and addresses all considerations necessary to make a decision;
- b) confirming the validity and reasonableness of reasons provided for the elimination of tenderers or respondents; and
- c) considering commercial risks and identifying any risks that have been overlooked which warrant investigation prior to taking a final decision.

Attach duly completed evaluation report

The conditions or constraints contained in the evaluation report relating to the next stage are as follows:

Recommendation for approval to proceed to the next phase of the procurement process made by:

[name of person]

[Designation]

Signature:

Date:

Approval to proceed to the next phase of the procurement process

[name of designated person – see SCM policy]

[Designation]

Signature:

Date:



BERGRIVIER LOCAL MUNICIPALITY

PG6: Approval of tender evaluation committee recommendations

GATE 6

Proposed contract

Project no: **Project description:**

Contract No: **Title:**

Framework contract: yes no (*tick appropriate box*)

Estimated total of the prices for the contract including VAT and price adjustment for inflation:

(if a framework agreement – state not applicable)

Time (no of weeks from start of contract to completion/ delivery / end of service):

Brief description of work associated with the contract:

Procurement Gate 6 of the control framework for infrastructure procurement contained in the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires that the tender evaluation recommendations be approved.

Attach duly completed evaluation report(s) and if relevant, authorisations to proceed to the next phase

Recommendation for approval of tender evaluation recommendations made by:

[name of person]

[Designation]

Signature:

Date:

Outcome of submission

- The recommendations of the tender evaluation report are approved.
- The recommendations of the tender evaluation report are approved are confirmed subject to the following being effected:
- The tender evaluation report is hereby returned to the evaluation committee for the following reasons:

Name:

Signature:

Date:

Chairperson of the Tender Committee

The members of the Tender Committee participating in this decision were as follows:

Name	Designation

BERGRIVIER LOCAL MUNICIPALITY**PG7: Acceptance of a tender offer**

Gate 7

Proposed contract**Project no:** **Project description:****Contract No:** **Title:****Name of contractor:****Time** (no of weeks from start of contract to completion/ delivery / end of service):**Framework contract:** yes no (*tick appropriate box*)**Estimated total of the prices for the contract including VAT and price adjustment for inflation:**

(if a framework agreement – state not applicable)

Time (no of weeks from start of contract to completion/ delivery / end of service):**Brief description of work associated with the contract:**

Procurement Gate 7 of the control framework for infrastructure procurement contained in the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires that the tender offer be accepted.

The clause in the SIPDM relating to this activity are as follows:

14.5.1.2 The Form of Offer and Acceptance contained in Annex B of SANS 10845-2 shall be used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers

Clause 4.4.1.1 of SANS 10845-1 states that "A tenderer's covering letter shall not be included in the final contract document. Should any matter in such letter, which constitutes a deviation as aforesaid, become the subject of agreements reached during the process of offer and acceptance, the outcome of such agreement shall be recorded in the schedule of deviations."

Attach a duly completed copy of Gate6: Approval of tender evaluation recommendations together the evaluation report(s)

Attached the proposed contract

Recommendation for the acceptance of the tender offer:

[name of person]

[Designation]

Signature:

Date:

Acceptance of tender offer made by:

[name of designated person – see SCM policy]

[Designation]

Signature:

Date:

(sign the acceptance portion of the forms of offer and acceptance and initial the pages to the contract)



BERGRIVIER LOCAL MUNICIPALITY

PG8A: Approval for waiving of penalties / damages

GATE 8

Project no: **Project description:**

Contract No: **Title:**

Name of Contractor:

Framework contract: **yes** **no** (*check appropriate box(es)*)

If yes, **Order no:** **Title:**

Estimated final total of the prices for the contract including VAT and price adjustment for inflation:

Time (no of weeks from start of contract to completion/ delivery / end of service):

Contract type and option:

(*check appropriate box*) and insert main Option e.g. F)

CIDB	<input type="checkbox"/> Standard professional service contract <input type="checkbox"/> General conditions of service	<input type="checkbox"/> Contract for the supply and delivery of goods <input type="checkbox"/> General conditions of purchase
FIDIC	<input type="checkbox"/> Green Book <input type="checkbox"/> Red Book <input type="checkbox"/> Yellow Book	<input type="checkbox"/> Silver Book <input type="checkbox"/> Gold Book
JBCC	<input type="checkbox"/> Principal Building Agreement	<input type="checkbox"/> Minor works agreement
NEC3	<input type="checkbox"/> NEC3 ECC main Option: <input type="checkbox"/> NEC3 ECSC <input type="checkbox"/> NEC3 TSC main Option: <input type="checkbox"/> NEC3 TSSC	<input type="checkbox"/> NEC3 SC <input type="checkbox"/> NEC3 SSC <input type="checkbox"/> NEC3 PSC main Option: <input type="checkbox"/> NEC3 PSSC
SAICE	<input type="checkbox"/> GCC	

NOTE See Table 10 of the National Treasury Standard for infrastructure Procurement and Delivery Management for full titles of standard contracts

Procurement Gate 8A of the control framework for infrastructure procurement contained in the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) requires prior approval for the waiving of penalties and / or low performance damages from the person authorised to do so in terms of the employer's SCM policy.

Clause 8.1a) of the SIPDM requires that the person responsible for the administration of the contract or an order on behalf of the employer acts as stated in the contract that is entered into, subject to any constraints that may be imposed by the employer or the employer's supply chain management policy for infrastructure procurement and delivery management. Prior approval is required before any penalties / damages are waived.

NOTE: Penalties (any sum of money for the payment of which or anything for the delivery or performance of which a person may so become liable) are governed by the Conventional Penalties Act of 1962 (Act 15 of 1962). This Act permits a court to reduce the penalty if the penalty is out of proportion to the prejudice suffered to the extent that the court considers equitable in the circumstances.

Brief description of work associated with the contract:

Approval sought for: (*check appropriate box*)

waiving of delay damages / penalty for delay

specify particulars and quantum of such damages / penalties

waiving of low performance damages

specify particulars and quantum of such damages

waiving of other penalties / damages

describe and specify particulars and quantum of such damages

Motivation to waive penalties / damages

Recommendation for the approval for waiving of penalties / damages made by:

[name of person]

[Designation]

Signature:

Date:

Approval for waiving of penalties / damages made by:

[name of designated person – see SCM policy]

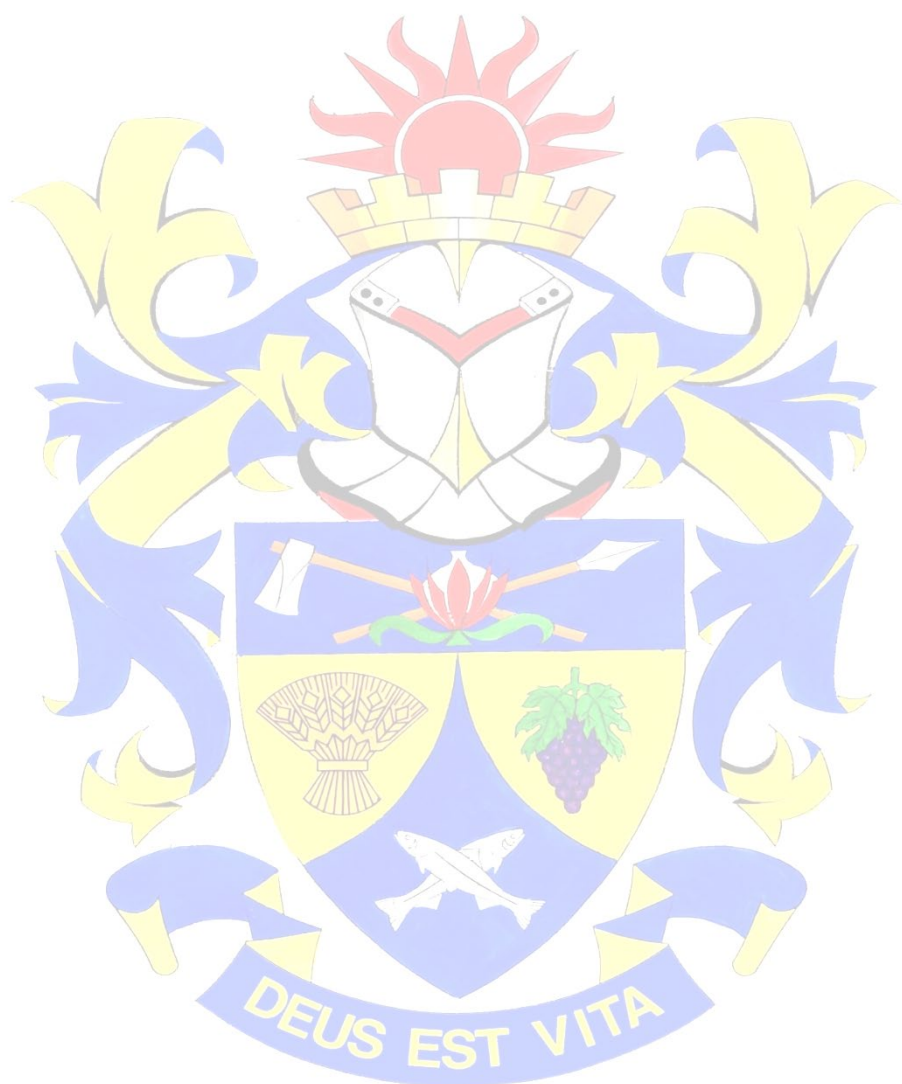
[Designation]

Signature:

Date:

BERGRIVIER

Munisipaliteit / Municipality



Borrowing, Funds and Reserves Policy

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1. INTRODUCTION

The documented **Borrowing, Funds and Reserves Policy**, sets out the framework for the prudent use of Borrowing, Funds and Reserves available to the municipality.

This Policy should be read in conjunction with the approved **Liquidity Policy**. The Liquidity Policy sets out the prudent level of cash to be maintained by the Municipality as one of several factors to ensure long term financial sustainability. It is however of equal importance to protect, maintain and extend the infrastructure of the Municipality to ensure the continued provision of services at an acceptable standard.

This policy is implemented to provide guidance on the appropriation of capital funding resources on a sustainable basis in the longer term.

2. BACKGROUND AND APPROACH

With reference to the applicable legislation, refer to in the sections below. Legislation exists and prescribes the framework of a Borrowing as well as Funds and Reserves Policy and these factors will all be addressed in this Policy.

Although legislation provides guidance as to the broader framework to ensure financial management of resources for the Council to meet all its obligations timeously, it is not prescriptive with regards to quantifying not only the prudent level of Borrowing, Funds and Reserves but more so the optimal level thereof.

Therefore, in this Policy cognisance has been taken of the legislative guidelines whilst more prescriptive guidelines are set for the optimal management and monitoring of resources to the Municipality's avail based on sound financial practices.

3. FUNDING POLICY

3.1. LEGISLATIVE FRAMEWORK

3.1.1. The Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009 stipulates:

“8(1) Each municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating -

- a) A projected billings, collections and all direct revenues;*
- b) the provision for revenue that will not be collected;*
- c) the funds the municipality can expect to receive from investments;*
- d) the dividends the municipality can expect to receive from municipal entities;*

- e) *the proceeds the municipality can expect to receive from transfer or disposal of assets;*
- f) *the municipality's borrowing requirements; and*
- g) *the funds to be set aside in reserves."*

3.1.2. In terms of Section 18 and 19 of the MFMA an annual budget may only be funded from:

3.1.2.1 Cash backed accumulated funds from previous years' surpluses not committed for other purposes

3.1.2.1.1. Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects with no recurring operating expenditure resulting thereof.

3.1.2.1.2 Borrowed funds, but only for capital projects

3.1.2.1.2. Actual capital expenditure may only be incurred on a capital project if:

- The funding for the project has been appropriated in the Capital Budget, are only for infrastructure, and
- The funding has been secured from the financial source that is not committed for another purpose.

3.1.2.2 Realistically anticipated revenues to be collected

3.1.2.1.3. Realistic anticipated revenue projections must consider projected revenue for the current year based on actual collection levels in previous financial years.

3.2. OPERATING BUDGET

3.2.1. The Operating Budget should be cash funded.

3.2.2. The Operating Budget is funded from the following main sources of revenue:

- 3.2.2.1. Property Rates;
- 3.2.2.2. Service Charges;
- 3.2.2.3. Government Grants and Subsidies; and
- 3.2.2.4. Other revenue, fines, interest received etc.;

3.2.3. The following guiding principles apply when compiling the Operating Budget:

3.2.3.1. Growth parameters must be realistic taking into account the current economic conditions;

3.2.3.2. Tariff adjustments must be in line with the Rates and Tariff policies of The Municipality;

3.2.3.3. Revenue from Government Grants and Subsidies must be in line with allocations gazetted in the Division of Revenue Act and provincial gazettes. Transfers of a conditional nature must be appropriated only as prescribed and should not be used to fund any other Operating Budget items;

Revenue from public contributions, donations or any other grants may only be included in a budget (Adjustment or Original budget) if there is acceptable documentation that guarantees the funds;

3.2.3.4. Provision for revenue that will not be collected is made against the expenditure line item called Impairment Losses. The provision must be calculated in terms of GRAP 104.64 and is calculated based on the highest of:

3.2.3.4.1. The difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset; or

3.2.3.4.2. The actual collection levels for the previous financial year and the reasonably projected annual non-payment rate;

3.2.3.5. Interest received from actual Long-term and or Short-term Investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends.;

3.2.3.6. A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for based on 98% of the total as well as new and/or funded vacant positions. As a guiding principle the salary budget should not constitute more than **35% of annual Operating Expenditure**;

3.2.3.7. Depreciation charges are fully budgeted for according to the Capital Asset Register;

3.2.3.8. The annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs;

3.2.3.9. Sufficient provision must be made for the maintenance of existing infrastructure based on affordable levels. The maintenance budgets are normally lower than the recommended levels, as a guiding principle repair and maintenance should constitute between 5% and 8% of total operating expenditure and should annually be increased incrementally until the required targets are achieved; and

3.2.3.10. Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure.

3.3. CAPITAL BUDGET

3.3.1. The capital budget provides funding for the municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

3.3.2. The capital budget is limited by the availability and access to the following main sources of funding:

3.3.2.1. Accumulated cash backed internal reserves such as the Capital Replacement Reserve and Self-insurance reserve;

3.3.2.2. External borrowings;

3.3.2.3. Government Grants and Subsidies; and

3.3.2.4. Public Donations and Contributions.

3.3.3. The following guiding principles apply when considering sources of funding for the capital budget:

3.3.3.1. Government Grants and Subsidies:

3.3.3.1.1. Only Government Gazetted allocations or transfers as reflected in the Division of Revenue Act or allocations as per Provincial Gazettes may be used to fund projects;

3.3.3.1.2. The conditions of the specific grant must be taken into consideration when allocated to a specific project.

3.3.3.2. Public Donations and Contributions:

3.3.3.2.1 In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding has been received by the municipality already or a signed contract or Memorandum of agreement is in place.

3.2. LEGAL REQUIREMENTS

- 3.2.1. There are no legal requirements for the creation of reserves apart for the Housing Act, No. 107 of 1997 that requires the creation of the Housing Development Fund.
- 3.2.2. According to Generally Recognised Accounting Practices (GRAP) such reserves may only be created if such reserves are cash backed. Fund accounting is not allowed, and any reserves must be legal reserves created by law or through a Council Resolution.

3.3. TYPES OF RESERVES

- 3.3.1. No non-cash funded reserve is allowed in Bergrivier Municipality.
- 3.3.2. The following reserves are allowed in Bergrivier Municipality:
 - 4.2.2.1. Self-Insurance Fund; and
 - 4.2.2.2. Capital Replacement Reserve (CRR)

3.3.3. Capital Replacement Reserve (CRR)

- 4.2.4.1. The capital replacement reserve is a capital asset financing source that represents an alternative to other funding sources available, namely external loans, government grants and subsidies.
- 4.2.4.2. An amount equal to the actual depreciation charges, bulk service levies received, revenue received from insurance claims linked to the replacement of capital assets as result of insurance claims and the proceeds on land sales must be contributed to the capital replacement reserve.
- 4.2.4.3. As at year end the Chief Financial Officer must determine whether the Municipality meets its **minimum liquidity criteria** as per the standard norms. Excess cash in addition to the prescribed level in terms of the liquidity norms is to be calculated and may be appropriated to the Capital Replacement Reserve.
- 4.2.4.4. The capital replacement reserve may only be utilised for the purpose of financing capital assets, specifically for the replacement or renewal of existing capital assets.

4.2.5 Self-Insurance Reserve

- 4.2.5.1 The purpose of the self-insurance reserve is to cover own damage relating to the policy of all risks, the municipal vehicle fleet and claims below the excess levels of the reinsurance policy of the Municipality. It is the intension of the Municipality to progressively grow the self-insured portfolio of the Municipality.
- 4.2.5.2 Over and above the net result of the operating account of all insurance related expenses (Premium of reinsurance plus the claims expenses less reinsurance refunds), an additional amount equal to 0.18 percent of the value as reflected on the face of the statement of financial position for all capital assets must be contributed to the self-insurance reserve.
- 4.2.5.3 The additional contribution and the net result of the operating account of insurance must be cash funded, therefore always creating the reserve to grow till the limit as set out below.
- 4.2.5.4 As at year end the Chief Financial Officer must determine whether the Municipality meets its **minimum liquidity criteria** as per the standard norms. Excess cash in addition to the prescribed level in terms of the liquidity norms is to be calculated and may be appropriated to the Self- Insurance Reserve.
- 4.2.5.5 The self-insurance reserve may only be utilised for financing activities that were caused by an unforeseen activity and which resulted in damage to the assets of the Municipality or a third party, other than by means of normal wear and tear.
- 4.2.5.6 The municipality aims, but is not limited, to progressively fund the self-insurance reserve to a level of 1% of the carrying value of capital assets as determined annually at the end of each financial year or the amount of the highest valued facility.
- 4.2.5.7 Annually once the funding calculation has been performed and the reserve exceeds the required level of funding as determined in paragraph 4.2.5.6, the 4.2.5.2 contribution as per paragraph can be reduced where after any other surpluses must be contributed to the un-appropriate cash surplus to affect the future tariff setting exercises.

5 BORROWING POLICY

5.1 LEGISLATIVE REQUIREMENTS

The legislative framework governing borrowings, funds and reserves are:

5.1.5 The Municipality must comply with Chapter 6 of the MFMA. This chapter deals in sections 45 to 51 with short and long-term debt, the conditions, security, disclosure, municipal guarantees and National and Provincial guarantees.

5.1.6 Section 46 of the MFMA should be read in conjunction with Section 19 of the MFMA.

5.1.7 Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA) must be complied with and MFMA Circular 71 stipulates the following guidelines regarding borrowing:

5.1.7.1 Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure

Formula:

Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure
x100

Criteria: 6% - 8%

5.1.7.2 Debt (Total Borrowings) / Revenue

Formula:

(Overdraft + Current Finance Lease Obligation + Non-Finance Lease Obligation + Short Term Borrowings + Long Term Borrowings) / Total Operating Revenue

Criteria: Maximum 45%

5.1.8 Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

5.1.9 Local Government Municipal Regulations and Debt Disclosure, Regulation R492, published under Government Gazette 29966, 15 June 2007.

5.2 ACCESSING NEW BORROWINGS

5.2.5 Municipal infrastructure has a long-term economic life and it is appropriate to fund assets of this nature with long term external borrowing. The economic life of capital assets should be equal to or longer than the tenor of the external borrowing.

5.2.6 The following needs to be taken into consideration when accessing external borrowing:

5.2.6.1 Types of Debt and Financing sources

The types of debt that may be incurred and the debt financing which may be incurred are as follows:

5.2.6.1.1 Short-term Debt

- 5.2.6.1.1.1 Bank overdraft;
- 5.2.6.1.1.2 Short Term Loans;
- 5.2.6.1.1.3 Marketable Bonds;
- 5.2.6.1.1.4 Non-Marketable Bonds; and
- 5.2.6.1.1.5 Other Securities

5.2.6.1.2 Long-term Debt

- 5.2.6.1.2.1 Long-Term Loans;
- 5.2.6.1.2.2 Instalment Credits;
- 5.2.6.1.2.3 Finance Leasing;
- 5.2.6.1.2.4 Marketable Bonds;
- 5.2.6.1.2.5 Non-Marketable Bonds;
- 5.2.6.1.2.6 Other Securities

5.2.6.1.3 Financing Sources

- 5.2.6.1.3.1 Public;
- 5.2.6.1.3.2 Banks;
- 5.2.6.1.3.3 Development Bank of South Africa;
- 5.2.6.1.3.4 Infrastructure Finance Corporation;
- 5.2.6.1.3.5 Public Investment Commissioners;
- 5.2.6.1.3.6 Insurance Companies;
- 5.2.6.1.3.7 Municipal Pension Funds;
- 5.2.6.1.3.8 Other Public Pension Funds;
- 5.2.6.1.3.9 Bond Trusts;
- 5.2.6.1.3.10 Internal Funds; and
- 5.2.6.1.3.11 Other Sources

5.2.6.2 Types of long-term loan

5.2.6.2.1 Annuity Loans enable the Municipality to provide for the redemption of loans on an amortising basis which is generally the most cost-effective method of financing often referred to as vanilla funding;

5.2.6.2.2 Bullet Redemption Loans are attractive as interest on the loan is serviced with the capital redemption only taking place at the end of the tenor of the loan. However, this method is costlier as interest is paid on the full debt throughout the term as the Capital does not reduce. This type of loan also requires an annual contribution to a sinking fund, which then mimics the traits of an annuity loan although at a higher cost. The use of such structure warrants a detailed motivation based on the benefits to the implementation of the capital project; and

5.2.6.2.3 Sculpted Repayment Loans offer a combination of the above two types, as loans are sculpted according to the potential cash flows to be generated from the capital project in future. For example, the following can be included in a sculpted loan:

5.2.6.2.3.1 A capital grace period in the first years of the development of the capital project;

5.2.6.2.3.2 An incremental annual increase in the repayment in relation to the projected growth in revenue from the project.

5.2.6.3 Interest Rate Risk Management

5.2.6.3.1 The impact of interest and capital redemption payments on both the current and forecasted property rates and service charges through tariffs taking into consideration the current and future capacity of the consumer to pay therefore;

5.2.6.3.2 Likely movement in interest rates for variable rate borrowings. There are benefits to be yielded from borrowing on a variable rate if rates are projected to decrease in future, however it is prudent for the municipality to enter into fixed interest rate loans to accurately budget for expenses incurred.

5.2.6.4 Competitive Bidding

5.2.6.4.1 The Accounting Officer should ensure that no deviations from the Supply Chain Management process are allowed with regards to the calling for interest rates during the calling for bids for any form of debt (short term or long term or finance lease or new borrowings), whether this is allowed in terms of the Council's Supply Chain Management policy or not.

5.2.6.4.2 For the purposes of price evaluating tenders in terms of costs, the expected interest debt over the full term of the proposed debt agreement must be calculated and used.

5.2.6.5 Tenor of Borrowing

5.2.6.5.1 The tenor of external borrowings should, where possible, match the economic useful life of the asset.

5.2.6.6 Security & Guarantees

5.2.6.6.1 Unless sufficient motivation is provided and other than for the provision of a sinking fund for the redemption of a bullet loan, the provision of any security against external borrowings, should be specifically motivated by the CFO for approval by Council.

5.2.6.6.2 The Municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following conditions:

5.2.6.6.2.1 The guarantee must be within limits specified in the municipality's approved budget;

5.2.6.6.2.2 The municipality may guarantee the debt of a municipal entity under its sole control only if the guarantee is authorised by the Council; and

5.2.6.6.2.3 The municipality may guarantee the debt of a municipal entity under its shared control or of any other person, but only with the approval of the National Treasury.

5.2.6.6.3 Neither the National nor Provincial Government may guarantee the debt of any Municipality.

5.2.6.7 Loan Agreements

5.2.6.7.1 The municipality is to maintain a loan agreement register detailing all the agreements entered into with each active loan agreement until date of maturity thereof;

5.2.6.7.2 Compliance with all loan agreements are to be monitored and reported on bi-annually to ensure that the municipality does not breach any agreement;

5.2.6.7.3 Should a default be triggered based on non-compliance with loan agreement, the accounting officer is to alert Council and send the related financial institution a written commitment to address the matter within a reasonable timeframe.

5.2.6.8 Level of gearing

5.2.6.8.1 The gearing of the Municipality is not only limited by the level of debt against the Total Operating Revenue (excluding conditional grants) but also limited

by other operational factors as per section 3.3.3.3.2.

5.2.6.8.2 The municipality must aim to maintain external gearing at levels not lower than 25% but not higher than 35%, excluding borrowings directly aimed at the procurement of energy to be self-sustainable as Municipality.

5.3 FORBIDDEN ACTIVITIES

5.3.5 No Commission is payable to an officer or board member, or spouse to, business partner or immediate relative of an officer or board member by an institution, investors or financiers, for any reference made by them;

5.3.6 Any commission, fee or other compensation paid to any person by an institution must be disclosed by means of a certificate to the municipality by the institution. Any quotation / tender to the municipality given by an institution must be net of fees, commissions, or rewards, but also need to include commission, rewards or costs, that will be paid in respect of the debt.

5.3.7 No debt may be made otherwise than in the name of the municipality.

5.3.8 Money cannot be borrowed for the purpose of investments.

5.3.9 No person, including officers and council members, may interfere or attempt to interfere in the management of fault attributed to the Accounting Officer or persons delegated by the Accounting Officer.

5.3.10 No debt may be made in any other currency than the Rand, and that is not linked, or is affected by any change in the value of the Rand against any foreign currency.

5.3.11 No debt shall be made for expenses not related to the functions and powers of the municipality.

5.4 PERFORMANCE, MONITORING AND DISCLOSURE OF INFORMATION

5.4.5 The Accounting Officer must within 10 working days after the end of each quarter furnish the Mayor with a report setting out the detail of each debt portfolio.

- 5.4.6 The above report must be part of the section 71 report and in the format provided by National Treasury for reporting and monitoring of debt.
- 5.4.7 The Accounting Officer must annually measure and report to the Council on the performance of its debt in terms of the gearing objectives of this policy.
- 5.4.8 Any person involved in the borrowing of funds by 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.

6 CORPORATE GOVERNANCE (OVERSIGHT)

- 6.1 Compliance with the various stipulations as documented in this Borrowing, Funds and Reserves Policy needs to be monitored by the Chief Financial Officer and reported on to the Accounting Officer on a monthly basis and to the Finance/Audit Committee on a quarterly basis.
- 6.2 Where compliance has been breached the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

7 POLICY MANAGEMENT

- 7.1 The Borrowing, Funds and Reserves Policy forms part of the municipality's overall financial objectives and therefore forms part of approved budget related policies. The policy must be reviewed at least annually during the budget revision and presented to Council for approval.
- 7.2 The Policy is effective from the date as determined by Council.

DOCUMENT AND VERSION CONTROL

Version: **Revision 1**

Date: **May 2024**

Summary: This document describes the Borrowing Funds and Reserves Policy that will be applicable to the Bergrivier Municipality, with effect from

1 July 2024

Signature:
Municipal Manager
(Accounting Officer)

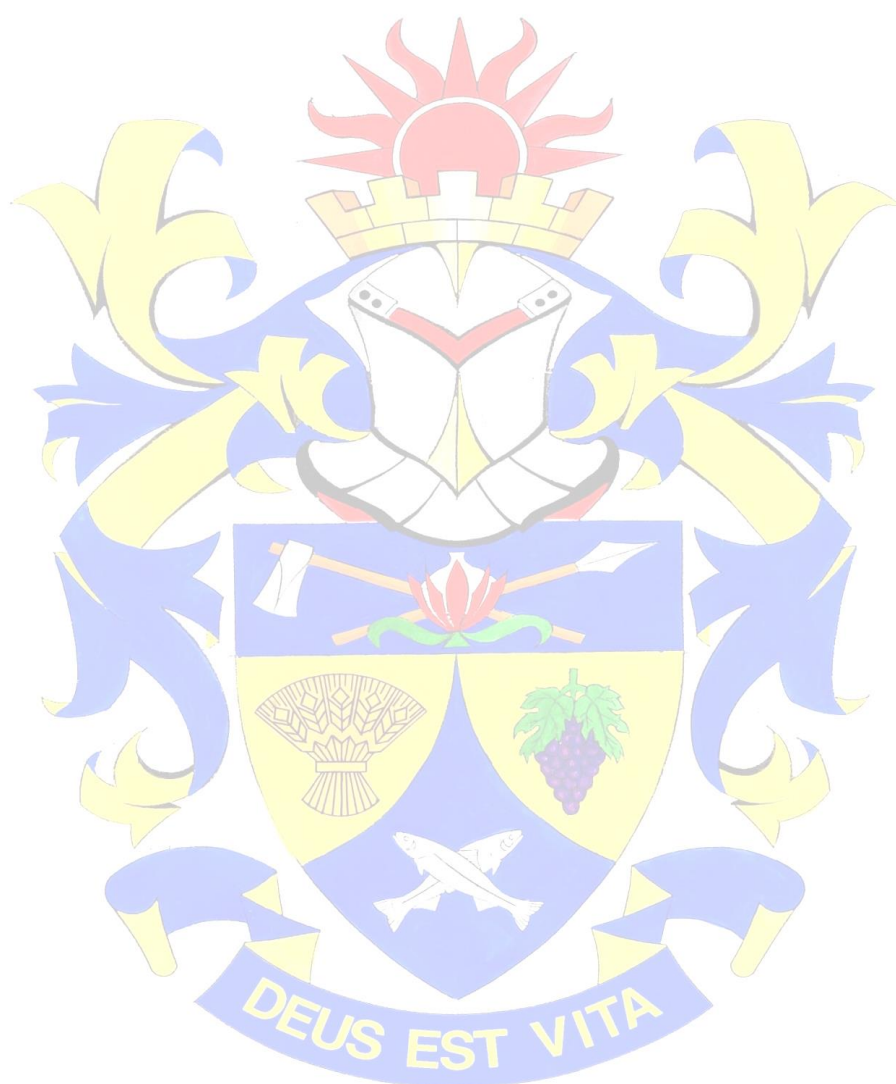
Date:30/05/2024

Signature:
Executive Mayor

Date: 30/05/2024

BERGRIVIER

Munisipaliteit / Municipality



FUNDING, RESERVES AND LONG-TERM FINANCIAL PLANNING POLICY

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Version: First Draft

Date: 14 March 2014

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 27 May 2014

Signature: _____ **Date:** _____

Municipal Manager

FUNDING, RESERVES AND LONG-TERM FINANCIAL PLANNING 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, tools and benchmarks, including those specified or developed by the National- and Provincial Treasuries, 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 may 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 and guidance from National Treasury;
- 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 revenue foregone 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 cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, be included in the operating budget, in order to build sufficient cash for the requirements.
- 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 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.

The Capital Replacement Reserve should be at least equal to the expected capital expenditure financed from the Capital Replacement Reserve in the following year.

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, including the use of the Equitable Share, 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 but excluded from the calculation whether the budget is credible.

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 the National- and Provincial Treasuries as well as reconciliations according to this policy. Any additional indicators recommended by the said Treasuries in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can be reasonably explained and future budget projections address the turn-around of these indicators to within acceptable levels.

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive Cash and Cash Equivalents position throughout the year is crucial. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A".

2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The overall cash position of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;

- unspent borrowings;
- vat due to SARS;
- secured investments;
- the cash portion of statutory funds such as the Housing Development Fund;
- other working capital requirements; and
- In addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS (“CASH COVERAGE”)

This indicator shows the level of risk should the municipality experience financial stress.

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS

It is almost certain that the operating budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a deficit.

As determined elsewhere in this policy it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges. In order to ensure a “balanced” budget but excluding such depreciation charges, the depreciation charges may be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro economic targets, but also to ensure that revenue increases for the expected growth in the geographic area is realistically calculated.

The formula to be used is as follows:

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

In the event that the percentage in (h) above is greater than zero, a proper motivation must accompany the budget at submission, or the budget must be revised.

2.8.7 CASH COLLECTION % RATE

The object of the indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the rate currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

2.8.8 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE

This indicator provides information whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as

past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

2.8.9 CAPITAL PAYMENTS AS A PERCENTAGE OF CAPITAL EXPENDITURE

This indicator provides information as to the timing for payments on capital projects and utilising allowed payment terms.

2.8.10 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the Municipality's 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 and Investment Properties 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 carrying 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. As a general benchmark, and in line with National Treasury directives, should not be least than 40% of the capital budget must be allocated to the renewal of existing assets.

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 National Treasury, in Circular 70 of 2014, recommends that a cash funded reserve be created for non-current provisions. 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. The accounting for reserves is specified in GRAP 1 (Presentation of Financial Statements).

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) 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: LONG-TERM FINANCIAL PLANNING

4.1 LEGISLATIVE REQUIREMENTS

Paragraph 7(1) of the Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations requires municipalities to have a policy related to long-term financial planning

4.2 PREPARATION AND REVIEW

Bergrivier Municipality decided to prepare their first Long-term Financial Plan, for a 10 year period, before 31 December 2014.

The Long-term Financial Plan should be reviewed annually during the annual budget process.

4.3 ELEMENTS OF LONG-TERM FINANCIAL PLAN

The Long-term Financial Plan should consist of at least the following items:

- (a) Financial assessment of the municipality's demographic, economic, household infrastructure and financial perspectives;
- (b) Future Municipal Revenues
- (c) Future Operational Expenditure
- (d) Demand for Future Capital Expenditure
- (e) Affordability of Future Capital Expenditure
- (f) Funding of Future Capital Expenditure
- (g) Liquidity and Ratio Management

4.4 LIQUIDITY AND RATIO MANANGEMENT

Healthy Liquidity is considered the key factor to effective managing the financial viability of a municipality in the longer term in conjunction with the necessary financial ratios against which to monitor actual performance.

The norm for each ratio is attached to this policy as Annexure B

5. SECTION D: REVIEW OF THE POLICY

This Funding and Reserves Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

Whenever the Minister of Finance or the National Treasury or the Auditor – General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

APPENDIX A**RECONCILIATION OF CASH REQUIREMENTS**

Cash flow from operating activities	R XX
Add : Depreciation from own funds	R XX
Add : Contribution to current provisions	R XX
Add : 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	<u>R XX</u>

APPENDIX B

1. FINANCIAL POSITION

A. Asset Management

RATIO		FORMULA	DATA SOURCE	NORM/ RANGE
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR	10% - 20%
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) × 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports	4% - 8%

B. Debtors Management

1	Collection Rate	$\frac{\text{(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)}}{\text{Billed Revenue}} \times 100$	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget , In-Year Reports, IDP and AR	93%
2	Bad Debts Written-off as % of Provision for Bad Debt	$\frac{\text{Bad Debts Written-off}}{\text{Provision for Bad debts}} \times 100$	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%
3	Net Debtors Days	$\frac{\text{((Gross Debtors - Bad debt Provision))}}{\text{Actual Billed Revenue}} \times 365$	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days

C. Debtors Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.1 - 2:1

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Noncurrent Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	$\frac{\text{(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants)}}{\text{(Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve)}} \times 100$	Statement Financial Position, Budget and AR	100%
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2. FINANCIAL POSITION

A. Efficiency

1	Net Operating Surplus Margin	$(\text{Total Operating Revenue} - \text{Total Operating Expenditure}) / \text{Total Operating Revenue}$	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%
2	Net Surplus /Deficit Electricity	$\text{Total Electricity Revenue less Total Electricity Expenditure} / \text{Total Electricity Revenue} \times 100$	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%
3	Net Surplus /Deficit Water	$\text{Total Water Revenue less Total Water Expenditure} / \text{Total Water Revenue} \times 100$	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%
4	Net Surplus /Deficit Refuse	$\text{Total Refuse Revenue less Total Refuse Expenditure} / \text{Total Refuse Revenue} \times 100$	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%
5	Net Surplus /Deficit Sanitation and Waste Water	$\text{Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water}$	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-	= or > 0%

		Expenditure/Total Sanitation and Waste Water Revenue x 100	Year reports and AR	
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B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	$(\text{Number of Electricity Units Purchased and/or Generated} - \text{Number of units sold}) / \text{Number of Electricity Units Purchased and/or generated}) \times 100$	Annual Report, Audit Report and Notes to Annual Financial Statements	5% - 10%
2	Water Distribution Losses (Percentage)	$(\text{Number of Kilolitres Water Purchased or Purified} - \text{Number of Kilolitres Water Sold}) / \text{Number of Kilolitres Water Purchased or Purified} \times 100$	Annual Report, Audit Report and Notes to Annual Financial Statements	5% - 10%

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	$\frac{\text{(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts)}}{\text{previous number of Active Debtor Accounts}} \times 100$	Debtors System	None
2	Revenue Growth (%)	$\frac{\text{(Period under review's Total Revenue - previous period's Total Revenue)}}{\text{previous period's Total Revenue}} \times 100$	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI
3	Revenue Growth (%) - Excluding capital grants	$\frac{\text{(Period under review's Total Revenue Excluding capital grants - previous period's Total Revenue excluding capital grants)}}{\text{previous period's Total Revenue excluding capital grants}} \times 100$	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-Year reports and AR	= CPI

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) × 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations)/ Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In- Year reports and AR	95% - 100%
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In- Year reports and AR	95% - 100%
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In- Year reports and AR	95% - 100%

BERGRIVIER MUNICIPALITY

BUDGET IMPLEMENTATION AND MONITORING POLICY

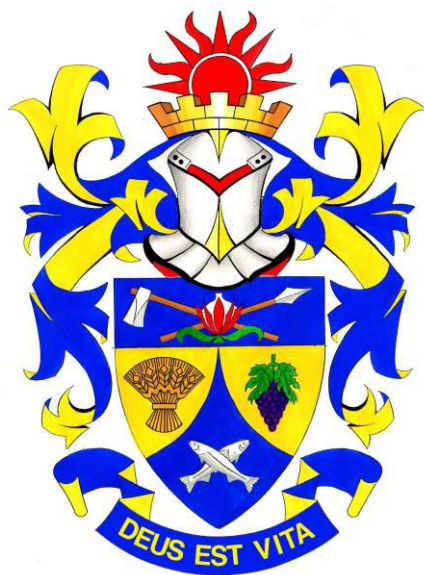


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1. PREAMBLE

In the spirit of the Municipal Finance Management Act, (No.56 of 2003) to modernize budget and financial management practices by placing local government finances on a sustainable footing in order to maximize the capacity of municipalities to deliver services to all residents, customers, users and investors; and

Whereas chapter 4 of the Municipal Finance Management Act, (No 56 of 2003) determines that a municipality may, except where otherwise provided in the Act, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget,

In terms of the Budget and Reporting Regulations the municipality has to adopt a policy which include the following:

1. a policy dealing with the shifting of funds within votes
2. a policy dealing with the introduction of adjustment budgets
3. policies dealing with unforeseen and unavoidable expenditure
4. policies dealing with management and oversight

Therefore the BERGRIVIER Municipality adopted a Budget Policy to give effect to the Budget and Reporting Regulations as set out in this policy.

2. DEFINITIONS

"Accounting officer" means a person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act;

"Allocation" means

- (a) a municipality's share of the local government's equitable share referred to in section 214(1) (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, 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 tariff 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 legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"Budget steering committee" means a committee established in terms of section 4 of the Municipal Budget and Reporting Regulations, published in Government Gazette 32141 dated 17 April 2009

"Budget transfer" means transfer of funding within a function / vote subject to limitations.

"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;

"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;

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

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

"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 , and which has not been condoned by Council
- (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/s" 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;

"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;

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

"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);

"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;

"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;
 - 1 July to 30 September;
 - 1 October to 31 December;
 - 1 January to 31 March; or
 - 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(1) (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(1) (c) of the MFMA;

"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;

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

"Virement" refer to the definition of budget transfer

"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.

3. OBJECTIVES OF POLICY

The policy sets out the budgeting principles which BERGRIVIER Municipality will follow in preparing and implementing each annual budget. This policy shall give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework in terms of the planning, preparation and approval of the annual and adjustments budgets. The policy shall apply to all staff and councillors of the BERGRIVIER Municipality that are involved in budget implementation.

4. BUDGET PRINCIPLES

The municipality shall ensure that revenue projections in the budget are realistic taking into account actual collection levels. The 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.

BERGRIVIER Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) which will be reviewed annually and will be approved by Council. The MTREF budget will at all times be within the framework of the Municipal Integrated Development Plan (IDP) **and based on the Strategic Planning Process**.

The annual budget will consist of a Capital and Operating Budget which will be discussed below:

4.1. Capital Budgets

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

4.1.1. Basis of Calculation

- a) The **zero based method** is used in preparing the new MTREF capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- b) The annual capital budget shall be based on realistically anticipated revenue (capital loans to be taken up will be deemed to be part of this), which should be equal to the anticipated capital expenditure in order to result in a balanced budget.

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

4.1.2. Financing

Own Financing Sources

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

- a) Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes
- b) Further amounts appropriated as contributions in each annual or adjustments budget; and

Other Finance Sources

The Ad-Hoc capital budget shall be financed from external sources such as the following:

- a) Grants and subsidies as allocated in the annual Division of Revenue of Act
- b) Grants and subsidies as allocated by Provincial government.
- c) External Loans
- d) Private Contributions
- e) Any other financing source secured by the local authority.

4.1.3. Process and responsible parties

The process to be followed in the compilation of the capital budget is as follows:

- a) The CFO, in conjunction with the Manager: Budget Office, and after consultation with the Portfolio Councillor of Finance sets the realistic growth level of the capital budget to be financed out of own sources (CRR).
- b) The draft capital budget is compiled based on the projects that emanated out of the engagements with the different stakeholders.
- c) The CFO, together with the Manager: Budget Office, engage with the Directors and the IDP Manager in order to determine the priorities for a particular financial year and to determine the ranking of projects based on these priorities.
- d) The draft capital budget is submitted to the Budget Steering Committee for their perusal and suggestions.
- e) The draft capital budget is tabled to Council 90 days before the start of the new financial year 31 March.

- f) After the draft budget is approved by Council, it is released for public comment.
- g) Once the comments from the public have been submitted, noted and considered, amendments are made to the draft budget and the budget is tabled to Council for final approval 30 days before the start of the financial year (31 May).

4.1.4. Implementation

- a) After the budget has been approved, the service delivery and budget implementation plan (SDBIP) should be compiled.
- b) The SDBIP must be tabled to the Mayor within 14 days after aforementioned approval.
- c) Each director has to indicate the intended spending patterns of both their capital and operating budgets. (Cash flows)
- d) These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.
- e) The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the directors at the beginning of the year.
- f) Each directorate can use their respective vote numbers as indicated on the capital budget

4.2. Operational Budget

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

4.2.1. Basis of Calculation

- a) The **zero based approach** is used in preparing the annual operating budget, except in cases where impractical. In these instances the incremental method will be followed.
- b) The annual operating budget shall be based on realistically anticipated revenue.
- c) An income based approach shall be used whereby realistically anticipated income is determined first and the level of operating expenditure would be based on the determined income flows.

4.2.2. Financing

The operating budget shall be financed from the following sources:

- a) Service Charges
 - (i) Electricity Charges
 - (ii) Water Sales
 - (iii) Refuse Removal Fees

- (iv) Sewerage Fees
- (v) Property Rates
- b) Taxes: Increases in tariffs and rates will as far as possible be limited to inflation plus an additional percentage increase to accommodate the growth of the town.
- c) Grants and Subsidies: Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organization.
- d) Interest on Investments: The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the organization.
- e) Rental Fees: Income from rental property will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year
- f) Fines: Income from fines will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipts until end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial Services for a particular budget year
- g) Other Income: All other income items will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipts until end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial Services for a particular budget year
- h) Notwithstanding the aforementioned, National and other benchmarks and ratios shall also be utilized to prevent uncontrolled negative growth of this source of income

4.2.3. Budget Categories

The following expenditure categories shall be accommodated in the operating budget.

- a) Salaries, Wages and Allowances The salaries and allowances are calculated based on the percentage increases as per the collective agreement between organised labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitations and percentages as determined by the responsible National Minister.
- b) Collection Costs: It refers to costs attributed to the maintenance of the financial system used for the collection of outstanding amounts and is based on the service level agreement.
- c) Depreciation: The above is calculated at cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets
- d) Interest External Borrowings: The above refers to interest that has to be paid on an external loan taken up by Council. The budget will be determined by the repayments that the municipality is liable for based on the agreements entered into with the other party.
- e) Bulk Purchases: The expenditure on bulk purchases shall be determined using the tariffs as stipulated by NERSA and by any other service provider from time to time.

- f) Other General Expenditure: A percentage growth for all other general expenditure will be based on the percentage determined by Financial Services in line with prevailing growth rates, CPI and prior actual expenditure trends.
- g) Repairs and Maintenance: The budget of repairs and maintenance shall be based on the increment as determined by Financial Services in conjunction with the needs of the departments in terms of repairing their assets.
- h) Contributions to Funds: Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and are determined based on the actual expenditure in the previous year and any other factor that could have an effect.
- i) Less: Debited Elsewhere This category refers to interdepartmental charges within the organization. The performance of each of line item is analysed where after the budget is based on the preceding year's performance.
- j) Appropriations: Refers to the transfers to-and from the Capital Replacement Reserve, to offset depreciation charges. Appropriations are determined on an annual basis.

4.2.4. Process

- a) The CFO, in conjunction with the Budget Steering Committee, set the reasonable growth level of the operational budget based on the current financial performance and the prevailing industry growth levels. (i.e. CPI).
- b) After the income has been determined, an acceptable growth level for the operating expenditure is determined and the principles informing the compilation of the draft operating budget are discussed at directors' forum.
- c) The draft operating budget is compiled based on realistically anticipated revenue resulting from detailed income modelling exercises.
- d) The draft operating budget is submitted to the Steering Committee for consideration.
- e) The draft operating budget is tabled to Council 90 days before the start of the new financial year (31 March).
- f) After the draft operating budget is approved by Council, it is released for public comment.
- g) Once the comments from the public have been submitted, same is considered in terms of the MFMA, where after the final budget is tabled to Council for approval, at least 30 days before the start of the new financial year (31 May)

4.2.5. Implementation

- a) The draft SDBIP must be submitted with the draft budget as per the new treasury guideline and can be refined after budget approval
- b) The SDBIP must be tabled to the Mayor within 14 days after aforementioned approval.
- c) Each director has to indicate the intended spending patterns of both their capital and

operating budgets. (Cash flows)

- d) These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.
- e) The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the directors at the beginning of the year.
- f) Each directorate can use their respective vote numbers as indicated on the capital budget.
- g) The principles of efficient, effective and economic implementation should at all times be applied.
- h) Standard for income and expenditure where such have been determined via NT Circulars shall be adhered to, eg Water losses and electricity distribution allowable losses.

5. Adjustments Budget

- a) An adjustments budget will be compiled only once a year if intended adjustments fall in one of the following categories:
 - i. to appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
 - ii. to authorise the utilisation of projected savings in one vote towards spending under another vote;
 - iii. to authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
 - iv. to correct any errors in the annual budget. The adjustments budget for above mentioned categories will be tabled to council at any time after the mid-year budget and performance assessment but not later than 28 February of the that financial year.
- b) An adjustments budget will be compiled more than once a year if intended adjustments fall in one of the following categories:
 - i. to adjust the revenue and expenditure downwards if there is material under collection of revenue during the current year
 - ii. to appropriate additional revenues from National and Provincial Government that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for;
 - iii. to authorise unforeseeable and unavoidable expenditure recommended by the mayor to authorise unauthorised expenditure as anticipated by section

28(2) (g) of the MFMA

- iv. to authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council
- vi. to correct any errors in the annual budget

The adjustments budgets for above mentioned categories will be tabled to council at the first available opportunity after above mentioned events occurred.

- c) The adjustments budget will be treated in the same manner as the annual budget in terms of calculation and implementation.
- d) The adjustments budget must be approved by Council.

6. BUDGET IMPLEMENTATION

6.1 Monitoring (Section 71 of MFMA)

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 all reasonable steps to ensure that:

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

6.2 Reporting

6.2.1 Monthly budget statements (Section 71 of the MFMA)

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.

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. The report submitted to National and Provincial Treasury must be both in electronic format and in a signed written document.

6.2.3 Mid-year budget and performance assessment (Section 72 and 88 of MFMA)

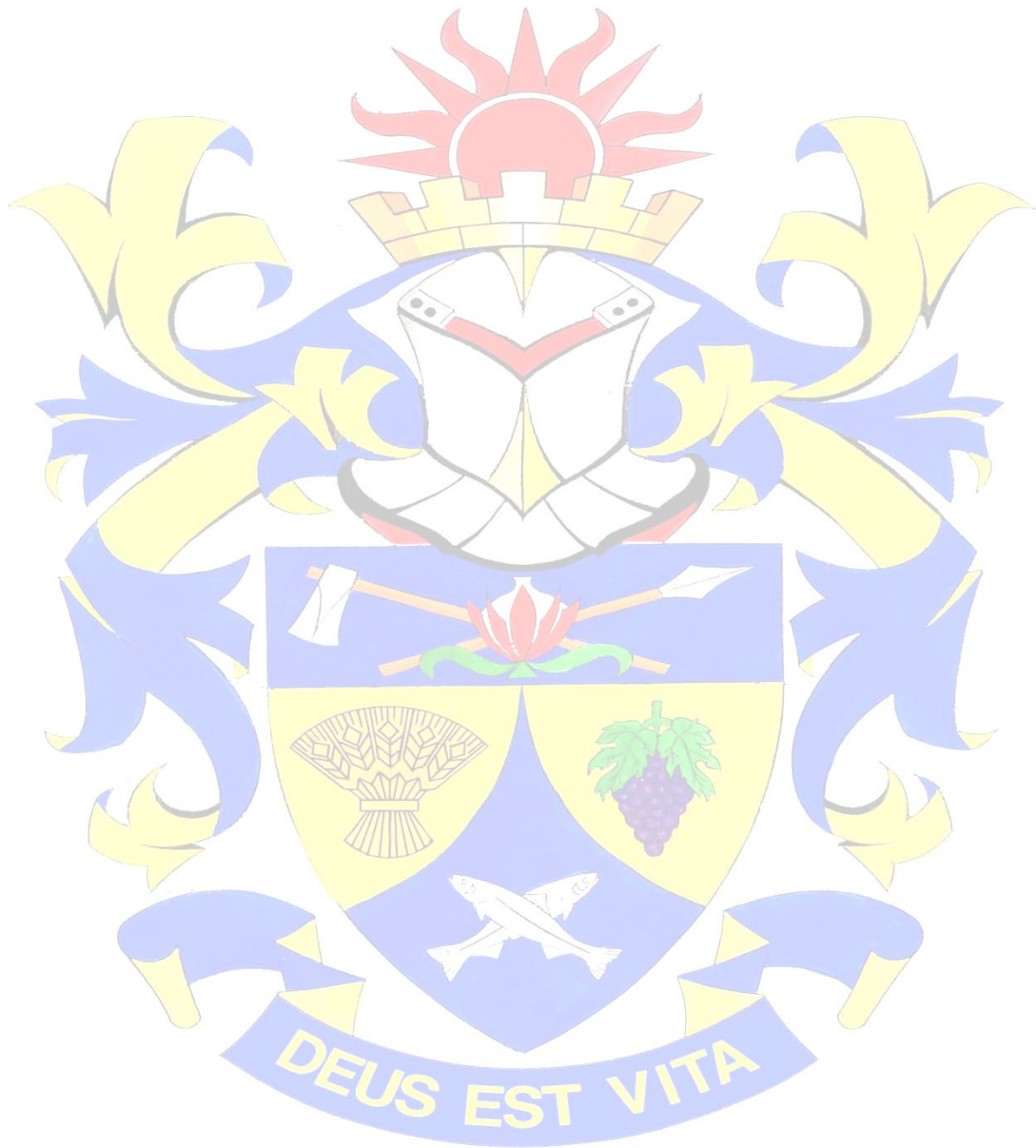
The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance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

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.

7. REVIEW OF POLICY

This policy took effect on 1 July 2015 (excluding the amended sections for consideration) and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives, good governance, and prudent expenditure management and with relevant legislation.

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PETTY CASH POLICY 2024/2025

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1. INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure

of the municipality in an effective and controlled manner. Therefore the Bergrivier Municipality adopts the following petty cash policy.

2. REGULATORY FRAMEWORK

- a) The Municipal Finance Management Act (56 of 2003)
- b) Section 15 of the Municipal Supply Chain Regulations
- c) Treasury regulations in terms of Section 13(1) of the Act.

3. OBJECTIVES

Compliance with the regulatory framework in terms of the relevant legislation is required.

4. RESPONSIBILITY AND ACCOUNTABILITY

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

Accounting Officer (Municipal Manager)-

(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

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(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 eft or provided that cash payments and payments by way of cash may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager delegates authority to the Chief Financial Officer to ensure compliance and adherence to the principles established by this policy.

5. PETTY CASH FRAMEWORK

5.1 General Policy

a. The use of petty cash floats is strictly confined to individual cash purchases of:

i) up to a maximum of R500, where the petty cash floats in other departments are used to make purchases,

ii) Petty cash maybe used for the purchase of prepaid sell phone costs, postage, cleaning products, and minor equipment for example a plug, wire etc. Maybe used to be cost effective items that would not warrant a requisition. Must be minor items.

iii) up to a maximum of R3 000, when claimed from the Financial Services Petty Cash Float, and the Mayor's office up to R5000.00.

iv) the office of the Mayor may make a once off payment above R500.00 but not exceeding R2000.00, the evidence must be attached (Request from the community in writing, program for the event or a written request from the Mayor. Attach the cash receipt with a signature or an actual receipt from the business for the items purchased from.)

b. It is not acceptable for one receipt or a number of receipts, in respect of the same event, which have been obtained by the same person, to be split over two cash purchase claims.

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c. A petty cash float is not to be used for any of the following:

i) loans to any person whatsoever;

ii) payment of personal remuneration to any employee whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason.

iii) Purchase of capital items

d. Other cash floats may also be established for the purpose of providing change, for a cash register, or any other purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established.

e. The Chief Financial Officer may approve the use of petty cash for specific use, based on practical reasons or cost-benefit reasons. Such an authority will be done on a case by case basis for the purposes of considering merit.

f. The CFO may determine and approve the maximum amount to be held in any individual petty cash float.

g. The petty cash tin must be locked at all times in a safe. The responsible person given the permission to keep the petty cash will be granted permission in writing.

h. Petty Cash maybe used to pay out both donations and make purchases by the Mayor's office only, but evidence must be submitted with either the signatures of receipt of money or an actual receipt from the Supplier/Beneficiary up to an amount not exceeding R2000.00, otherwise a cheque must be requested.

5.2 Purchases through Petty Cash Float – Supply Chain Management Office

a. Purchases from SCM database suppliers shall be allowed in the following instance, provided that a monthly submission are made to the CFO of all purchases and the respective director confirming the enforcement of rotation of suppliers:

i) When the amount of the individual purchase / event is less than R250.00, irrespective of it being an emergency or not.

b. Purchases from SCM database suppliers are NOT allowed for capital items or fuel.

c. Petty cash claims will be dealt with on a first come, first serve basis and it is subject to the monetary limit of the petty cash.

5.3 Establishing and Operating a Petty Cash Float

a. To establish a new petty cash float or increase an existing advance, a written application is to be made to the Chief Financial Officer by the relevant Department, motivating the need for such petty cash float.

b. The total value of the advance requested will be an amount which would normally necessitate reimbursement approximately once a fortnight. This level of advances keeps to a minimum the overall cash in the buildings on municipal property and

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ensures regular inclusion of information regarding expenditure in financial reports and for budget control purposes.

c. A request for the establishment of an advance will indicate the name and status of senior administrative or clerical staff to be held responsible for the operation of the petty cash float. The staff member's specimen signature must also be submitted by the Department to the Chief Financial Officer, together with the application documentation.

d. The application will indicate the security arrangement in place to ensure safe custody of funds in the office. The minimal security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe. If an advance is approved, the Assistant Accountant: Creditors will advise the Department accordingly and request that the responsible staff member collect the advance. This establishing advance will be charged to a "Petty Cash Advances - ...Name/Dept..." in the General Ledger and not against any expenditure votes. A register of advances is thus maintained per Ledger Account for the purpose of accounting for all petty cash floats.

5.4 Security of Petty Cash Floats

a. The cash on hand and used petty cash vouchers are to be kept in a locked box for which there should be two keys. One key is to be retained by the officer (on their person) normally responsible for the petty cash and the other to be kept in a sealed envelope in the office safe or other secure place, to be used only in an emergency.

b. The locked petty cash box must be kept in a secure place/safe when not in use and should be removed and returned by the responsible staff member only. At no stage should staff other than the responsible administrative/clerical staff member have access to the storage place of the petty cash box. If the locked petty cash box is in a draw, the draw must be locked at all times and the keys be kept safe with the responsible staff member.

c. Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.

d. When the responsible officer is either going on leave or is leaving the Municipality's employment, the petty cash float is to be reconciled and signed by the departing- as well as replacement staff members, to indicate their agreement as to its balance. The replacement staff specimen signature must also be submitted to the Chief Financial Officer and Director responsible.

e. In all circumstances Staff that receive the petty cash for the offices not in Piketberg will sign when receiving the money from the finance department, and must make sure that the responsible person for petty cash signs that they have received the petty cash. No petty cash will be placed in any place un-attended, if so the responsible person for petty cash will be held accountable for the petty cash.

5.5 Completing a Cash Purchase Claim Form

a. Petty cash stationery is available from the Expenditure Section (Financial Services). The form consists of two parts:

(i) Cash Purchase Claim page

(ii) Cash Purchase Record page - register

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(iii) Receipt for cash advance (Only when appropriate, refer paragraph on Advances).

b. All details entered on the Cash Purchase Claim appear on the Cash Purchase record page.

c. The Cash Purchase Claim must be completed as follows:

(i) description and cost of the goods/services purchased

(ii) purchaser's signature

(iii) vote number to be charged

(iv) signature of the Officer in Charge of Petty Cash.

d. Original receipts or other valid documentation as required must be attached as proof of payment, with the signature of an appropriate financial delegate on this documentation. A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser.

5.6 Sub-Advances to staff members

a. If it is necessary to make an initial sub-advance to a staff member for various needs, a receipt for cash advance must be completed. The receipt for Cash Advance Form must be completed as follows:

(i) description and estimated cost of the goods/services purchased

(ii) purchaser's signature

(iii) vote number to be charged

(iv) signature of the Officer in Charge of Petty Cash.

b. On completion of the purchase, the recording-, documentation- and authorization requirements will be as stated in the above paragraph: Completing a Cash Purchase Claim Form.

All such sub-advances will be accounted for within 24 hours, by submitting original receipts and other applicable documentation required, attached as proof of payment (with the approval signature on the documentation). Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or the money will be deducted on his/her next salary irrespective of consent being given or noted. Not more than one advance will be made to any one person at a time.

5.7 Out-of-Pocket Payments

a. Where a staff member has made purchases from their own funds and now seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim.

b. The supporting documentation is to be attached to the Claim.

c. The recording-, documentation- and authorization requirements will be as stated in the above paragraph (Completing a Cash Purchase Claim Form).

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5.8 Reimbursement of Petty Cash Floats

- a. A petty cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement-
 - (i) returns the cash level of the petty cash float to its original level and
 - (ii) charges the expenditure which has been made, to the correct expenditure vote.
- b. Accordingly, at any point of time, the sum of the cash on hand, i.e. remaining unspent, plus the cash advances for un-finalised purchases, plus the completed cash purchase claim forms, will equal the level of the petty cash advanced to the Department.
- c. Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be taken by the officer in charge of the Petty Cash in a Directorate/Department, to the Assistant Accountant: Accounts Payable for reimbursement, after the Summary Claim Cover Page and attached documentation have been authorised by a financial delegate at least once in 14 days. Reimbursement of claims where supporting documentation is missing will not be entertained.
- d. The prescribed Summary Cash Purchase Claim form as well as other relevant forms attached to it must be completed in full.
- e. The most recently completed Cash Purchase Claim form must record the reconciliation of the petty cash float. The Assistant Accountant: Accounts Payable will refuse reimbursement of claims where this is not supplied.
- f. A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

5.9 Shortages

- a. Any shortages in respect of a petty cash float must be paid in immediately.
- b. Where a petty cash float is stolen the incident must be reported promptly to the Chief Financial Officer in the required format, after which same needs to be reported to the South African Police Services and a case number provided to the Assistant Accountant: Accounts Payable.
- c. If the Petty Cash is not reconciled daily, weekly or monthly and there is non adherence to the Petty Cash Policy disciplinary action can be instituted by Bergrivier Municipality.

5.10 Procedure applicable when a Petty Cash Float is repaid/cancelled

When an advance is no longer required, a statement in a form of a memorandum is to be completed and signed by the Head of the relevant Department and submitted to the Assistant Accountant: Accounts Payable, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms. The most recently completed Cash Purchase Claim form will record the reconciliation of the petty cash float, where after a cheque will be issued to the relevant person to effect completion of the transaction..

The Cashier will issue a receipt to the affected department.

BERGRIVIER MUNICIPALITY

5.11 Financial year-end procedures

Reconciled petty cash registers (cash slips attached), accompanied with the cash balance must be returned to the Senior Accountant: Expenditure a week before the financial year end.

Addendum:-

The register must be on excel and should look like the undermentioned format for each month of the financial year:-

The reconciliation must be done daily and closed off on a monthly basis, and signed off by the relevant Director/Manager.

This is an example:-

KLEINKAS REKONSILIASIE

	Official requesting	Date	Vote number	Expenditure	Balance
Opening balans					2000
ACC Company	PA	2018.12.10	12061227000	22,5	1977,5
Printers	EK	2018.12.11	12063257000	130,8	1846,7
MN Company	CT	2018.12.12	12061227000	89,95	1756,75
NBD Company	EK	2018.12.13	12061227000	200	1556,75
EK	EK	2018.12.14	12061227000	249,9	1306,85
ZA Company	HJ	2018.12.15	12061227000	144,5	1162,35
Employee ASN	CT	2018.12.16	12063257000	100	1062,35
Zone Company	MC	2018.12.17	12061227000	200	862,35
NBD Company	MC	2018.12.18	12061227000	73,3	789,05
PB Company	EK	2018.12.19	12061227000	19,9	769,15
Key replacement CC	HJ	2018.12.20	12061227000	120	649,15
DPMS Comp	EK	2018.12.21	12061227000	97,1	552,05
			12063257000	33,8	518,25
Tyres Company	MV	2018.12.21	12063257000	84,3	433,95
Spares Company	MY	2018.12.21	12063257000	96	337,95
				1662,05	
Balance					337,95
Request to fill up					1662,05

BERGRIVIER MUNICIPALITY

ADDENDUM

Sample of an advance taken to go and purchase goods etc:-

CASH ADVANCE VOUCHER FORM	
OFFICE:	
DATE:	AMOUNT ISSUED: R
EXPLANATION (Include general description of purpose for Cash advance)	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
AMOUNT REQUIRED: R..... VOTE NUMBER:	
RECEIVED BY:	
Full names	
PAY NUMBER: (BERGRIVIER MUNICIPALITY)	
SIGNATURE RECEIVED:	
CASH ADVANCE ISSUED BY:	
Full names	
SIGNATURE ISSUED ADVANCE:	
This advance must be repaid with cash or receipt proof to the total issued.	
AMOUNT RETURNED: R..... RECEIPT AMOUNT:	
RECEIVED BY PETTY CASH CONTROLER:	
Signature	
DATE received and captured in register:.....	
Note: - The petty cash can be checked at any time by the Bergrivier Municipality and if not balancing this can lead to disciplinary action according to the Bergrivier Municipalities disciplinary code and policy.	

BERGRIVIER MUNICIPALITY

Handling of Petty Cash – Form no 3.

When a person goes on leave or hands the Petty Cash in for top up this form will be signed.

RESPONSIBLE PERSON FOR PETTY CASH:-

I hereby confirm that I have done the petty cash reconciliation and it has been counted and signed of by the Department Director.

.....
SIGNATURE

.....
DATE

HANDED OVER TO THE FINANCE DEPARTMENT

I hereby confirm that I have counted the slips and reconciled this with the petty cash, and it is in accordance to the Petty Cash Policy.

.....
SIGNATURE: Finance

.....
DATE

ON LEAVE AND HANDLING OVER TO AN OTHER OFFICIAL

I hereby confirm that the petty cash slips and cash was counted by both officials and that the money and slips balance with the float total.

.....
SIGNATURE – HANDOVER

.....
DATE

.....
Pay No.

.....
SIGNATURE – RECEIVER

.....
DATE

.....
Pay No

This form will always accompany the reconciliation, if a person was on leave or the petty cash was handed over to somebody else.

BERGRIVIER MUNICIPALITY



CREDITORS, COUNCILLORS AND PERSONNEL PAYMENT POLICY

Date: March 2024

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A. POLICY OBJECTIVE

The objective of this policy is to provide standard procedures relating to payments due to creditors, councillors and personnel of Bergrivier Municipality from municipal funds.

B. LEGISLATIVE REQUIREMENTS

In terms of section 65 of the Municipal Finance Management Act, Act 56 of 2003, the Municipal Manager as an Accounting Officer of the Municipality is responsible for the management of the expenditure of the municipality and, to this end, must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds.

The municipality must, when it approves the annual budget for each year, also approve a cash flow projection for the year by revenue source broken down per month in terms of section 17(3) (c) of the MFMA. The municipality's Service Delivery and Budget Implementation Plan (SDBIP) must contain revenue and expenditure projections for each month as required by section 53 (3) (a) of the MFMA. The Municipal Manager must ensure, in terms of section 54 (1) (d) of the MFMA, that spending of funds and revenue collection proceed according to the budget.

The Municipal Manager must in terms of section 65 (2) of the MFMA for the purpose of giving account of the discharge of her/his responsibilities in respect of expenditure management 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 recognises expenditure when it is incurred, and which accounts for creditors of and 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 directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed and either electronically or by direct deposit. No cash payments, payments by way of transferable and/or cash may be made;
- (e) That all money owing by the municipality be paid within 30 days of receiving the relevant invoice and/or statement, unless prescribed otherwise by the Minister of Finance in terms of a regulation for certain categories of expenditure;
- (f) That the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;
- (g) That any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;

- (h) That the municipality’s available working capital is managed effectively and economically in terms of the cash management and investment policy of the municipality and within the framework prescribed by the Minister of Finance, and;
- (i) That the Accounting Officer takes all reasonable steps, according to the MFMA Act No. 56 of 2003 sec 5 (2), to ensure that expenditure management of all financial accounts of the municipality are closed at the end of each month and reconciled with its records.
- (j) That the Municipality complies with the MFMA Act No 56 of 2003 of section 118 that no person may-
 - (a) interfere with the supply chain management system of a municipality or municipal entity; or
 - (b) amend or tamper with any tenders, quotations, contracts or bids after their submission.

C. DEFINITIONS

In this policy –

“Act”	refers to the Local Government: Municipal Finance Management Act, 56 of 2003;
“Accounting Officer”	refers to the Municipal Manager;
“Chief Financial Officer”	refers to the official of the Municipality designated as such by the accounting officer in terms of section 80 [2] [a] of the Act;
“Creditor”	refers to the person to whom money is owed by the Municipality;
“Municipality”	refers to the Bergrivier Municipality;
“Procurement documents”	refer to quotation(s), requisition(s), SCM electronically generated order number;
“Small Enterprises”	refers to emerging business enterprises supplying the municipality with goods and services.

D. DUTIES OF ACCOUNTING OFFICER

The Accounting Officer must 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 that –
 - (i) recognises expenditure when it is incurred;
 - (ii) accounts for creditors of the Municipality; and
 - (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 other payments.

E. PAYMENTS TO CONTRACTORS/SUPPLIERS/CONSULTANTS

- (1) The Accounting Officer must ensure:–
 - (a) That all payments made by the municipality are made directly to the person or creditor that had supplied the relevant goods and/or services and/or to whom such payment is due, as informed by the municipality's SCM generated order number, unless otherwise agreed upon for good reasons in writing between the Accounting Officer and creditor.
 - (b) That all tenders and quotations invited by and/or contracts entered into by the municipality, stipulate payment terms favourable to the municipality, i.e. payment due to fall not sooner than the conclusion of the month following the month in which a particular service is rendered to and/or goods are received by the municipality, provided that all reasonable steps shall be taken to ensure that payments are made within thirty (30) days from the date of in which the municipality receiving an invoice.
 - (c) That no payments exceeding the value of R30 000 (inclusive of VAT) will be made out by way of ~~non-transferable cheques~~; except for statutory requirements and suppliers such as Eskom and DWA.

The Municipality is currently using the bank procurement card to pay itself for transactions.
 - (d) More than two (2) payments to the same creditor may be effected during any period of thirty (30) days, only on approval of the Expenditure Manager, and may not be in breach of Sec 65 (e) of the MFMA.
 - ~~(e) That no payment will be processed to any creditor if not accompanied by a creditor's statement.~~
 - (f) In respect of "small enterprises"; where the total annual turnover of the creditor for contract works with the municipality does not exceed the value of R500 000.00; the payment may be effected within fifteen (15) days of receipt of tax invoice or statement concerned unless otherwise agreed upon with the Manager Expenditure, provided that:
 - The Creditors Section is in possession of the procurement documents including the creditor's statement (s) and invoice(s) on/before the cut-off date as determined by the Manager Expenditure, depending on which payments is due for the 30 day period.

(g) The municipality will not perform any creditors' payment runs on Fridays unless specific approval is granted by the Chief Financial Officer.

(i) Banking details – Any changes to the Creditors' banking details will only be allowed when the following procedures have been met:

- The Creditor must inform the Municipality of its banking details on an original letterhead from the specific company and approved by the relevant banking institution with their official stamp and signature.
- The Creditor must also update the banking details on the National Treasury website - Central Supplier Database.
- Bank details changes must be authorised by two Senior Officials as identified by the Chief Financial Officer, in the Financial Department.
- Before payment is processed by the Creditors department for Service Level Agreement contracts the service delivery department must confirm:
- All prices, calculations and any taxes are correct.
- The account has not previously been paid.
- Sufficient budgetary provisions exist.
- Copy of the Service Level Agreement must be attached.
- Payment range for approval(Requisitions and Invoices)

One quote – up to R2000.00 – Manager approval

~~Three quotes – R2001.00 – R10 000.00 – Manager approval~~

Three **written** quotes – R40001.00 –R2000 to R300 000.00 –

Manager approval – above R30 000 Director approval -

Above R300 000.00 to R9 999 999.00 Director and Manager

Above R10 000 000.00 Municipal Manager and Director

Repairs and maintenance of vehicles and machinery –from R2000.00 the Director and Manager. All quotations sourced for vehicle repairs must be taken to the Fleet Officer for approval. All vehicles that must be purchased must also be pre-approved by the Fleet Officer, according to the fleet management policy.

- All IT related purchases must be done by the ICT: Head. (Computers, Printers, Scanners, Docking Stations etc).

- The creditors checklist is completed and attached to the invoice.(This list must also be checked and signed off by the Accountant: Expenditure)
- Any instruction given to a Supplier without an official order will not be paid by the Municipality, the Official shall be held liable for payment.

Late submission of invoices with interest or handling fees will be recovered from the relevant official.

- When an order was issued for a certain quantity and specific items, the User Department cannot decide to take other items or quantities that is not on the order. If this would appear that items have been swapped for other items other than on the official order, the employee will be held responsible to pay for the items taken without an official order.
- In all cases all written quotations must be submitted with a MBD4 form, the request form from Bergrivier Municipality together with a BBBEE certificate or affidavit of the BBBEE status. – No advert on the website. (R2000 to R30 000) From R30 000 upwards all quotations will be advertised as required by the MFMA.

- (2) Notwithstanding the foregoing policy directives; the Accounting Officer must, when it is financially beneficial to the municipality, make full use of any extended terms of payment offered by suppliers of goods and/or services to the municipality and may not settle any accounts earlier than such extended due date.
- (3) No payment for the provision of services, the supply of goods and/or the execution of work shall be processed unless an original supplier tax invoice containing a reference to the relevant municipality's SCM purchase order and such other relevant information as the Chief Financial Officer may determine, has been received.
- (4) Suppliers' original tax invoices processed for payment shall be certified by the originator of the order and/or Departmental Head. This will represent confirmation of receipt of goods and/or services being received and/or rendered and/or executed in ways that are acceptable to the relevant departmental head and; where applicable, the relevant contract manager or according to contract conditions.
- (5) Suppliers must submit their original tax invoices and delivery notes as well as monthly statements to the Creditors Accounts Section in the Finance Department. Any invoice submitted to another department shall retard the speed of processing the referred payment; and shall not hold the Creditors Accounts liable for the delaying of such payment and the municipality's standard settlement terms will apply.
- (6) The Chief Financial Officer can process creditor payments more than once a week, provided that special payments to creditors may be made with the express approval of the Manager Expenditure if he/she is satisfied that there

are compelling reasons for making such payments. The normal day for payment of Creditors will be on a Thursday of each week. Creditors' payments such as accommodation, travelling and subsistence will be dealt with on a case by case basis, as approved by the Chief Financial Officer or delegated authority.

- (7) Payments in terms of this policy are subject to compliance with all financial requirements relating to payments to creditors by the municipality and the submission of all documentation substantiating particular payments.
- (8) The suppliers' invoices and/or delivery notes must reflect the municipality's unique order number for the goods purchased and/or services rendered; quantity purchased; date of the invoice as well as the VAT registration number (of the municipality); failure which will result to the referred invoice not being processed for payment.
- (9) All delivery notes on stock items must reflect the municipality's Stores stamp and the signature of the Senior SCM Practitioner: Logistics to confirm the delivery of the goods; failure which will result to the referred invoice not being processed for payment.
- (10) No municipal official; councillor; supplier; contractor and/or consultant will interfere in the processes of creditors' payments and/or accentuate the Creditors personnel to process payments outside the normal creditors' payment processes.
- (11) Any Council official who may wilfully/intentionally/or unintentionally misplace the creditors' payment documents, viz. Tax Invoices; Delivery Notes and/or Statements; will be fully liable for the recovery costs incurred; that includes the duplicate documentation fees and/or interest charged to the municipality.

Any municipal councillor and/or official who fails to submit payment documents and/or process creditors' payments within two (2) days after receiving such documents; in a manner that his/her actions result to interest and/or penalties being charged against the municipality shall be liable for such fruitless or wasteful expenditure and he/she will be dealt with in terms of the municipality's Unauthorized, Irregular, Wasteful and Fruitless Expenditure Policy.

The Municipality shall, if determined to be financially beneficial, and subject to cash flow being available, make use of early settlement discounts offered by suppliers to effect payment before the scheduled payment intervals as determined herein above, such payments may be approved by the CFO on recommendation by the Manager Expenditure.

F. PAYMENTS TO COUNCILLORS/STAFF

- (1) All subsistence and travel claims submitted by Councillors and personnel for payment will be processed in terms of the Council's approved Subsistence and Travel Allowance Policy. All claims submitted before the 10th of the month, will be paid on or before the 15th of the month and claims submitted thereafter will be paid with the monthly salary.

- (2) All approved documentation relating to such subsistence and travel claims, approved by the relevant Head of Department must reach the Payroll Office by not later than Tuesday, end of business. Such payments will only be processed on Thursdays for payment that will be released only on Fridays, the same week.
- (3) Where a claim for payment is received after the day determined as per paragraph (2), such claim may be considered for processed provided that such action will not place an unnecessary work load or undue pressure on the Payroll Office and Creditors section.
- (4) The submission of overtime claims, standby, shift allowance claims must reach the Payroll Office on/before the 10th day of the month. Such payments will be dealt with per normal monthly payroll procedures. Late submissions will only be dealt with in the following month.
- (5) The submission of any other human resource requests such as leave encashment, allowances, acting allowances and/or any other statutory related payments must reach the Payroll Office on/before the cut off dates annually determined by the Chief Financial Officer. Such payments will be dealt with per normal monthly payroll procedures
- (6) Salary payments shall be on the 25th of each month or the closest working day thereto for all employees whether permanent, temporary or appointed on contract as well as Councillors, taking into consideration the bank cut-off times and related practical considerations; However, for the months of December; salaries will be processed within four (4) days prior to Christmas Day. The Chief Financial Officer will annually determine the salary payment dates and distribute same for information to all departments.
- (7) The practice for the processing of salary advances for the municipal Councillors and staff is forbidden in terms of Section 164 (c) (i) – (iii) of the Municipal Finance Management Act.
- (8) Closure for the submission of monthly payroll documentation for processing will be approved by the Chief Financial Officer, and will be communicated to other Heads of Department.
- (9) No municipal official and/or Councillor will interfere in the processes of salaries and wages payments or to accentuate the Payroll Office to process payments outside the normal salaries and wages payment processes.
- (10) The municipality, through the Payroll Office, shall not issue “cash-~~cheques~~” to employees for payments relating travel and subsistence, overtime, standby, nightshift claims, etc. Such payments must electronically be transferred into the employees banking accounts. For claims on S&T’s banking details as registered on the payroll system will be used for payment. It is the responsibility of each councillor and official to ensure that their banking details are correctly provided to the Human Resource Section for payroll purposes. The Salary office will not be held liable for incorrect payment details and the subsequent delay in payments or disbursements because of incorrect information supplied.

- (11) All instructions to the Payroll Office must be directed and reviewed by the Manager: Expenditure or his/her delegated official prior to such request being processed on the municipal payroll system.
- (12) The municipality shall not process payroll deductions if such deductions are not statutory related. Only statutory and/or collective agreement deductions as well as other deductions such as mortgage bonds, garnishee orders, pension fund loans, maintenance orders, and employees' rental accounts for municipal properties and arrear employees' municipal accounts recovered in terms of the municipal credit control and debt collection policy will be approved for processing by the Payroll Office.
- (13) The following deductions will not be allowed:
 - (13.1) Insurance policies (Example: Old Mutual, Legal Wise, AVBOB, Metropolitan, SANLAM etc.)
 - (13.2) Current Municipal Accounts for rates and services, unless a written instruction is signed and provided to the Payroll office on or before the 10th of each month.
 - (13.3) Savings and investment account contributions
 - (13.4) Only the Unions that have a written agreement with a Broker and the Municipality is allowed to deduct contributions,

G. DELEGATION OF FUNCTIONS AND POWERS

The Accounting Officer may, in terms of section 79 of the Act, delegate his or her functions and powers in terms of this policy to the Chief Financial Officer.

BERGRIVIER

Munisipaliteit / Municipality



DRAFT COST CONTAINMENT POLICY

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1. DEFINITIONS

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

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

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

"Cost containment" means measures implemented to curtail spending in terms of this Policy; and

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

"Social events" means events involving only municipal councilors and / or members of Bergrivier Municipality does not include events where the public is involved or held to the benefit of the public.

2. OBJECT OF POLICY

The object of this Policy, in line with sections 62(1) (a) and 78(1) (b) of the Act, is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

3. APPLICATION OF POLICY

This Policy apply to all officials and political office-bearers in Bergrivier Municipality.

This policy overrides provisions of any other policy of the Municipality on the same content. In the case of differences between policies, this policy will suffice.

4. USE OF CONSULTANTS

4.1 The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the Municipality does not have the requisite skills or resources in its full -time employ to perform the function. (See attached "Use of Consultants (all service providers) – an assessment of the needs and requirements" which is compulsory to accompany relevant requisitions for approval)

4.2 The accounting officer adopt the following fair and reasonable remuneration framework for consultants taking into account the rates –

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

4.3 The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub-regulation (2).

4.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market – determined rates.

4.5 When consultants are appointed, the accounting officer must -

- (a) appoint consultants on a time and cost basis with specific start and end dates;
- (b) where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
- (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;

- (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
- (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's Supply chain management policy; and
- (f) develop consultancy reduction plans to reduce the reliance on consultants.
(The Procurement Plan will indicate this plan)

4.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.

4.7 The municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

4.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time

4.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

4.10 The Accounting Officer may approve the utilization of a consultant outside of the above mentioned, when required for service delivery.

5. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

Bergvriër Municipality does not purchase vehicles for political office-bearers.

6. TRAVEL AND SUBSISTENCE

6.1 –As per approved Council delegations the Accounting Officer, Director's or Managers:-

(a) may only approve the purchase of economy class tickets for all officials and/or political office bearers.

6.2 In the case of the accounting officer, the mayor may only approve the purchase of economy class tickets for any required flying.

6.3 International travel will be limited to meetings or events that are considered critical and really necessary. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

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

(a) during peak holiday periods; or

(b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.

6.5 An official or a political office-bearer of the municipality must -

(a) utilize the municipal fleet, where viable, before incurring costs to hire vehicles;

(b) make use of available public transport or a shuttle service if the cost of such a service is lower than -

(i) the cost of hiring a vehicle;

(ii) the cost of kilometers claimable by the official or political office bearer;
and

(iii) the cost of parking.

(c) not hire vehicles from a category higher than Group B or an equivalent class;
and

(d) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

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

7. DOMESTIC ACCOMMODATION

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

7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometers.

7.3 There may be circumstances when the 500 kilometers limitation may be impractical. For example, in instances where attendance is required over a number of days, or there is a risk to the health of the official or councilor and cost vs benefit considerations can warrant such expenditure. The Accounting Officer may approve overnight accommodation with these factors in mind.

7.4 If the event last more than a day, then accommodation may be booked with prior approval.

8. CREDIT CARDS

8.1 The accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality is issued to any official or political office bearer.

8.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved policy and processes.

9. SPONSORSHIPS, EVENTS AND CATERING

9.1 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the accounting officer is obtained.

9.2 The accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours including travel time of participants.

9.3 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

9.4 The municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

9.5 The accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality budgets or by any suppliers or sponsors.

9.6 The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.

9.7 The accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

9.8 Catering may be provided for the following:

9.8.1 Performance and Audit Committee

9.8.2 Performance reviews

9.8.3 Better Together Games

9.8.4 Executive Mayor's Golf Day

9.8.5 Fish factory tournament

9.8.6 VIP Golden Games

9.8.7 Other meetings/events as authorised by the Accounting Officer

9.8.8 Bergrivier Municipality will suffice with the Prize-giving function once a year where training and merit will be awarded.

9.8.9 Annual economic enhancement event.

9.8.10 Stap en Trap event – event against abuse of drugs, women and children.

9.8.11 Spiritual Bergrivier annual events.

9.8.12 Women's day

9.8.13 Lotyde – Youth day.

9.8.14 Light festival

9.8.15 Sport tournaments annually

9.8.16 Easter program

10. COMMUNICATION

10. The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers, unless required by law.

10.2 The accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer.

10.3 Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.

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

11. CONFERENCES, MEETINGS AND STUDY TOURS

11.1 The accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non – governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.

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

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

€ an Municipal Official shall not attend more than one conference per annum.

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

11.4 The benchmark costs referred to in sub -regulation (3) may not exceed an amount as determined from time to time by the National Treasury through a notice.

11.5 The amount referred to in sub -regulation (4) excludes costs related to travel, accommodation and related expenses, but includes -

- (a) conference or event registration expenses; and
- (b) any other expense incurred in relation to the conference or event.

11.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.

11.7 The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in- house.

11.8 Municipal or provincial office facilities must be utilized for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.

11.9 The accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in sub - regulation (2).

11.10 The municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

12. OTHER RELATED EXPENDITURE ITEMS

12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.

12.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.

12.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.

12.4 The municipality must avoid expenditure on elaborate and expensive office furniture.

12.5 The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.

12.6 The municipality may consider providing additional time -off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis, prior to working overtime. A motivation for all unplanned overtime must be submitted to the relevant manager.

12.7 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

Failure to implement or comply with these Regulations may result in any official of the municipality, political office bearer or director of the board that authorized or incurred any expenditure contrary to these regulations being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in

Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

14. DISCLOSURES OF COST CONTAINMENT MEASURES

14.1 The disclosure of cost containment measures applied by the municipality must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.

14.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution.

14.3 The reports referred to in sub-regulation (2) must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to the municipal council.

15. SHORT TITLE AND COMMENCEMENT

This policy is called the Cost Containment Policy and will commence on date of approval by Council

Attachment in terms of section 4.1 of the Policy

**Use of consultants (all service providers) –
an assessment of the needs and requirements**

Failure to undertake the latter assessment will result in the expenditure incurred being classified as irregular expenditure.

confirms that the affected municipality or municipal entity **does not have the requisite skills or resources in its full -time employ to perform the function.**



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

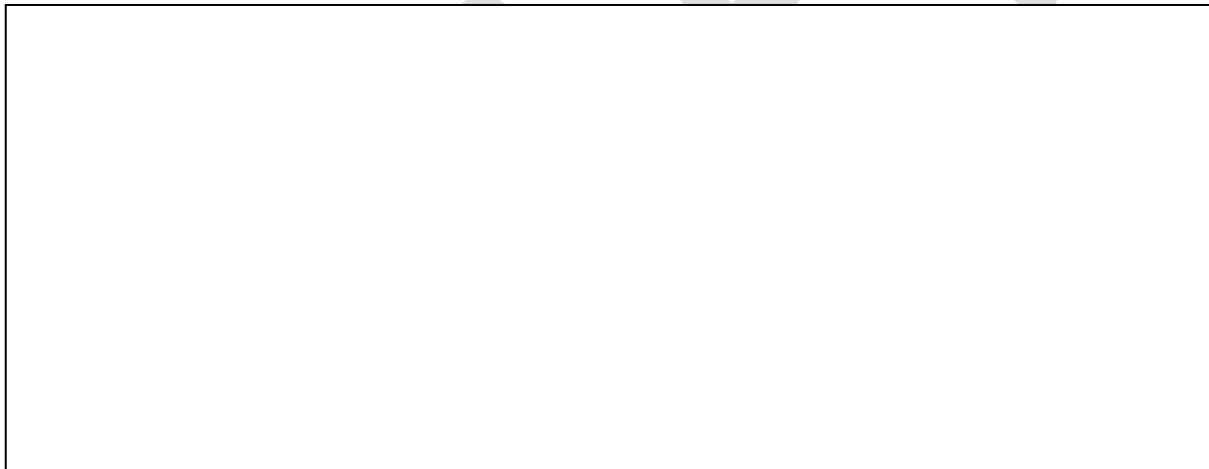
It is always advisable to negotiate lower rates than the maximum.

Some useful links regarding rates follow, this is not exhaustive, as there may be different rates for different professions, for example, engineers' contracts may relate to time, cost and rates, etc.

www.dpsa.gov.za/dpsa2g/consultant_fees.asp

https://www.saica.co.za/portals/0/documents/Circular_01_2018_Guideline_on_AGSA_Fees.pdf

The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2). (4) When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.



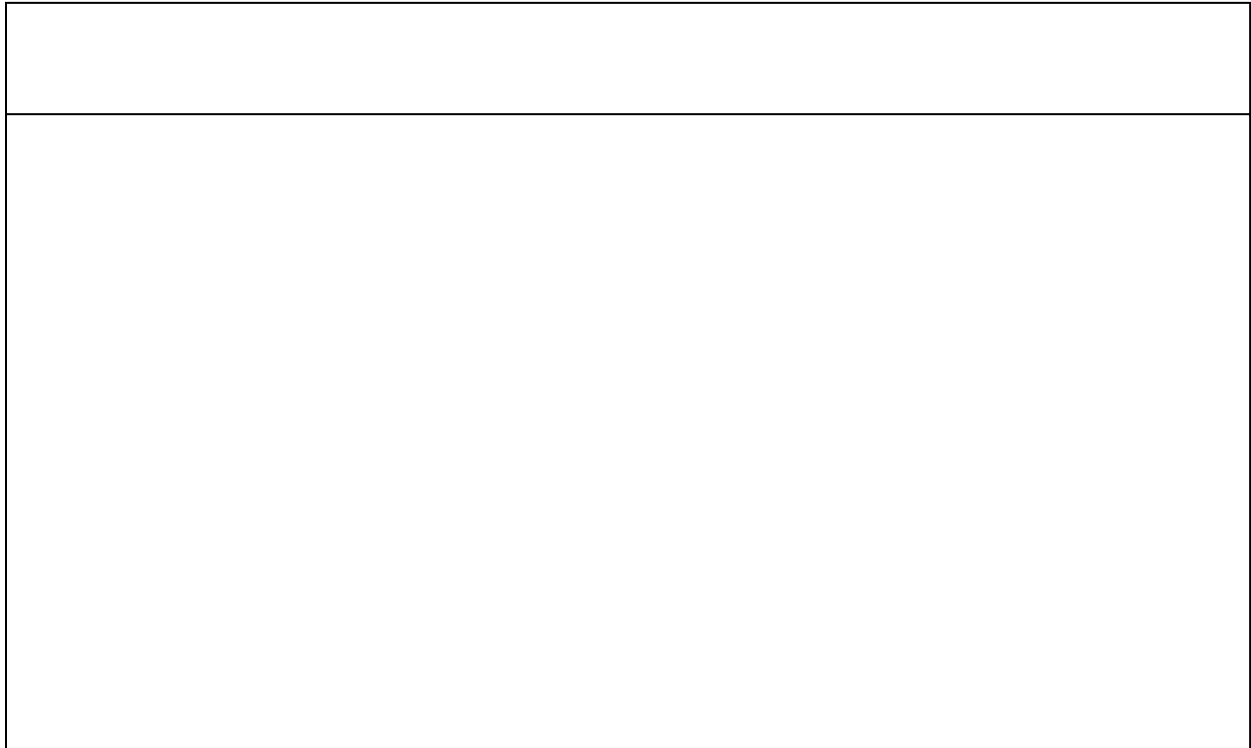
(5) When consultants are appointed, an accounting officer must - (a) appoint consultants on a **time and cost basis** with specific start and end dates; (b) where practical, appoint consultants on an **output- specified basis**, subject to specific measurable objectives and associated remuneration;

(c) ensure that contracts with consultants **include overall cost ceilings** by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;

(d) ensure the **transfer of skills** by consultants to the relevant officials of a municipality or municipal entity;

(e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's **supply chain management policy**; and

(f) **develop consultancy reduction plans** to reduce the reliance on consultants. Look at consultancy reduction plan issued by the National Treasury for PFMA institutions and customize it for its own internal use. These documents can be accessed using the following link: <http://www.treasury.gov.za/legislation/pfma/guidelines/default.aspx>



(6) All contracts with consultants must include a **fee retention or penalty clause for poor performance.**

(7) A municipality or municipal entity must ensure that the **specifications and performance are used as a monitoring tool** for the work to be undertaken and are appropriately recorded and monitored.



Monitoring of performance against contracts must also ensure **skills are transferred** to municipal officials, which forms an integral part of the contract or arrangements arising from such contracts. Skills may be transferred through the provision of **workshops or on the job training**.

(8) The **travel and subsistence costs** of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

NAME OF USER:
POSITION OF USER:

DATE

SUPPORT ASSESSMENT	
DO NOT SUPPORT ASSESSMENT	

N BOTHMA
MANAGER SUPPLY CHAIN AND EXPENDITURE
BERGRIVIER MUNICIPALITY

DATE

APPROVE ASSESSMENT	
DO NOT APPROVE ASSESSMENT	

**ADV H LINDE
MUNICIPAL MANAGER
BERGRIVIER MUNICIPALITY**

DATE

DRAFT

BERGRIVIER LOCAL MUNICIPALITY



PREFERENTIAL PROCUREMENT POLICY 2023/2024

THIS PREFERENTIAL PROCUREMENT POLICY is adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and Section 217 (2) of the Republic of South Africa Constitution

PREAMBLE

WHEREAS the Bergrivier Municipality aims to improve the quality of life of the local community and to free the potential of each person within a framework of facilitating service delivery, through effective governance and the Council considers the need for transparent procedures that give the effect to the principle of preferential procurement.

AND WHEREAS local economic development plays a crucial role in creating a prosperous, equitable, stable, and democratic society and the overall national vision of economic development is one of decent work and living standards for all in the context of qualitative improved equality in ownership, skills, and access to opportunities.

NOW THEREFORE the Council of the Bergrivier Municipality resolves in terms of Section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000, that the Bergrivier Preferential Procurement Policy is are herewith adopted to form the basis of its procurement activities.

**BERGRIVIER MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY**

VERSION CONTROL					
POLICY OWNER:			Bergrivier Municipality Supply Chain Management Unit		
POLICY EFFECTIVE DATE:			January 2023		
Version	Date	Revision	Section	Page	Reason for change
1	05 June 2017		All	All	Amended Draft
2	May 2019		All	All	New Draft Policy
3	May 2022		All	All	New Draft Policy
4	January 2024		All	All	New Draft Policy

**BERGRIVIER MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY**

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**BERGRIVIER MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY**

1. Definitions

1.1. In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act bears the same meaning, and:

#	Term	Definition
1.1.	"Act"	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) – PPPFA.
1.2.	"B-BBEE"	means Broad-Based Black Economic Empowerment as defined in Section 1 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
1.3.	"Broad-based black economic empowerment act" (B-BBEEA)	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003) – BBEEA.
1.4.	"B-BBEE status level of contributor"	means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the BBEEA.
1.5	"Bid"	
1.6	"Black designated groups"	has the meaning assigned to it in the codes of good practice issued in terms of section 9 (1) of the BBEEA.
1.7	"Black people"	has the meaning assigned to it in section 1 of the BBEEA.
1.8	"Consortium or joint venture"	means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill, and knowledge in an activity for the execution of a contract.
1.9	"Contract"	means the agreement that results from the acceptance of a bid by the BERGRIVIER Municipality.
1.10	"Comparative price"	means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration.
1.11	"Co-operative"	means a co-operative registered in terms of Section 7 of the Cooperatives Act, 2005 (Act No. 14 of 2005).
1.12	"Designated group"	means: 1) black designated groups 2) black people 3) women 4) people with disabilities; or 5) small enterprises which are enterprises, owned, managed, and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.
1.13	"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.
1.14	"Disability"	means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.
1.15	"District municipality"	means the West Coast District Municipality, a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155 (1) of the RSA Constitution as a category C municipality.
1.16	"Fronting practice"	means a transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of this Act or the implementation of any of the provisions of

**BERGRIVIER MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY**

#	Term	Definition
		<p>this Act, including but not limited to practices in connection with a B-BBEE initiative-</p> <p>(a) in terms of which black persons who are appointed to an enterprise are discouraged or inhibited from substantially participating in the core activities of that enterprise.</p> <p>(b) in terms of which the economic benefits received because of the broad-based black economic empowerment status of an enterprise do not flow to black people in the ratio specified in the relevant legal documentation.</p> <p>(c) involving the conclusion of a legal relationship with a black person for the purpose of that enterprise achieving a certain level of broad-based black economic empowerment compliance without granting that black person the economic benefits that would reasonably be expected to be associated with the status or position held by that black person.</p> <p>(d) involving the conclusion of an agreement with another enterprise to achieve or enhance broad-based black economic empowerment status in circumstances in which-</p> <p>(i) there are significant limitations, whether implicit or explicit, on the identity of suppliers, service providers, clients, or customers.</p> <p>(ii) the maintenance of business operations is reasonably considered to be improbable, having regard to the resources available.</p> <p>(iii) the terms and conditions were not negotiated at arm's length and on a fair and reasonable basis.</p>
1.17	<i>“Functionality”</i>	means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents.
1.18	<i>“Historically disadvantaged individual (HDI)”</i>	<p>means a South African citizen –</p> <p>(1) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983); and / or</p> <p>(2) who is a female; and / or</p> <p>(3) who has a disability:</p> <p>Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.</p>
1.19	<i>LED</i>	<i>“Local economic development”</i>
1.20	<i>“Locality”</i>	means the local suppliers and/or service providers that reside within the Bergrivier Municipality area and within the Region or West Coast District Municipality.
1.21	<i>“Military veteran”</i>	has the meaning assigned to it section 1 of the Military Veteran’s Act, 2011 (Act no. 18 of 2011).
1.22	<i>“National treasury”</i>	has the meaning assigned to it in section 1 of the Public Finance Management Act 1999 (Act No. 1 of 1999).
1.23	<i>“People with disabilities”</i>	has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998).
1.24	<i>“Price”</i>	Includes all applicable taxes less all unconditional discounts.
1.25	<i>“Proof of B-BBEE status level of contributor”</i>	<p>Means the B-BBEE status level certificate issued by an authorised body or person</p> <p>1) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or</p> <p>any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act</p>
1.26	<i>“Rand value”</i>	means the total estimated value of a contract in Rand, calculated at the time of bid invitation.

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#	Term	Definition
1.27	“Region”	2) means the district and/or West Coast District Municipality
1.28	“Rural area”	means- 1) a separately populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or an area including a large settlement which depends on migratory labour and remittances and government social grants for survival and may have a traditional land tenure system.
1.29	“Stipulated minimum threshold”	means that portion of local production and content as determined by the Department of Trade and Industry.
1.30	“Township”	2) means urban living area that any time from the late 19 th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994.
1.31	“Treasury”	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999).
1.32	“Youth”	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

2. Legislative Framework

Constitution, 1996 (Act 108 of 1996)

- 2.1. Sections 152(1)(c) and 152(2) of the Constitution provides that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).
- 2.2. Section 217(1) of the Constitution, 1996 (Act 108 of 1996) provides that when contracting for goods and services, organs of state must do so in accordance with a system that is fair, equitable, transparent, competitive, and cost effective. Section 217(2) and (3) of the Constitution allows organs of state to grant preferences when procuring for goods and services within a Framework prescribed by National legislation.

Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) – [MFMA] and related SCM Treasury Regulations, 2005 [SCM TR]

- 2.3. The MFMA aims to regulate financial management and Supply Chain Management [SCM] of local government to ensure that all revenue, expenditure, assets, and liabilities are managed efficiently and effectively.
- 2.4. Sections 110 – 119 of the MFMA deals with SCM requirements and must be read together with the SCM TR's 1 – 52 issued in terms of section 168 of the MFMA through GG 27636 effective from 30 May 2005. Both these sets of prescripts support the application of the PPPFA.

Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) – [PPPFA]

- 2.5. The PPPFA, 2000 took effect on 3 February 2000. The main thrust of the PPPFA, 2000 is that an organ of state must determine its preferential procurement policy and implement such within the preferential procurement framework, the latter which is commonly called the '80/20 or 90/10 principle'.
- 2.6. As per the recent Constitutional judgement of 17 February 2022 that the PPPFA Regulations of 2017 are unconstitutional and invalid in totality concluding that: *“Since each organ of state is empowered to determine its own preferential procurement policy, it cannot also lie with the Minister to make regulations that cover the same field.”* According to the judgement organs of state are therefore required to determine its own preferential procurement policy.
- 2.7. The other relevant legislation and prescripts are discussed in the Municipal SCM Policy and can be obtained from the Office of the CFO.

3. Application, Objectives & General Requirements

- 3.1. This Policy complies with the framework as prescribed by section 2 of the PPPFA and as contemplated by section 217(2) of the Constitution of the Republic of South Africa.
- 3.2. This Policy applies to the Bergrivier Municipality.
- 3.3. This Policy will apply to all active industry sectors in the Municipal Area. It is accepted that through the population of reliable data, trends will be evident which will continuously require a review of the Policy to ensure its relevance of all active industry sectors.
- 3.4. This Policy must be read and applied jointly with the BERGRIVIER Municipality's SCM Policy and the PPPFA prescripts amended from time-to-time.
- 3.5. The principles of this policy, where possible, must apply to deviations, sharing of contracts with other organs of state and transversal contracts.
- 3.6. The objectives of the Policy are to:
 - 3.6.1. Promote Bergrivier Municipality's Local Economic Development Strategy and endeavour to ensure the attainment of the award of at least 40% of all procurement within the boundaries of the Bergrivier Municipality.
 - 3.6.2. Implement best procurement practises through effective planning, strategic purchasing, and contract management.
 - 3.6.3. Standardise levels of skill and knowledge of employees/workers.
 - 3.6.4. Promote B-BBEE - enterprises providing services and goods within the Bergrivier Municipal Area.
 - 3.6.5. Introduce a systematic approach to the appointment of service providers and to promote consistency in respect of supply chain management.
 - 3.6.6. Promote SMME's, Joint Ventures, Consortiums, Co-ops, and partnerships, especially within the Bergrivier Municipal Area.
 - 3.6.7. Create new jobs or intensify labour absorption within the local area.
 - 3.6.8. Promote enterprises located within the Bergrivier Municipal Area for work to be done or services to be rendered.
 - 3.6.9. Promote enterprises located in rural areas in and around the Bergrivier Municipal Area.
 - 3.6.10. Empower the work force by standardising the level of skill and knowledge of workers.
 - 3.6.11. Develop human resources, inclusive of assistance with tertiary and other advanced training programs, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills.
 - 3.6.12. Uplift local communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.
 - 3.6.13. Ensure that specific goals are measurable and quantifiable, and the municipal officials must monitor the execution of the contract for compliance with such goals.
 - 3.6.14. Provide clarity on the municipality's approach to procurement, particularly with regards to requirements of preferential procurement.

3.7. The Policy specific requirements are that:

- 3.7.1. Any specific goal required for consideration in the bidding process must be clearly determined by the Bid Specification Committee and be defined in the bid documentation, considering the prescripts of the Construction Industry Development Board [CIDB] in respect of construction related contracts.
- 3.7.2. Outputs required will be quantified and will form part of the contractual arrangement upon awarding of the contract.

4. Applicable preference point system

- 4.1. The Municipality must determine and stipulate in the tender documents-
 - 4.1.1. The 80/20 or 90/10 preference point system applicable to the tender as envisaged in this Policy; and/or
 - 4.1.2. If it is unclear which preference point system will be applicable, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

5. The 80/20 preference point system for acquisition of goods, works and / or services up to a Rand value of R50million

- 5.1. The following formula must be used to calculate the points for price in respect of competitive bids / price quotations with a Rand value equal to, or above R ~~302~~ 000 and up to a Rand value of R50 000 000 (all applicable taxes included):

$$Ps = 80 \left(1 - \frac{(Pt - Pmin)}{Pmin} \right)$$

Where:

Ps = Points scored for comparative price of tender under consideration

Pt = Comparative price of tender under consideration

Pmin = Comparative price of lowest acceptable tender

- 5.2. A maximum of 20 points may be awarded to a tenderer in relation to its achieving any of the specified goals.

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Specific Goal	Policy targets for 2023/2024	Points to be allocated
Improving opportunities for black people via the BBBEE scorecard, inclusive of: (i) Ownership (ii) Management control (iii) Skills development (iv) Enterprise and supplier development		10
Locality		
(a) Bergrivier Area	10	
(b) Westcoast District	5	
(c) Western Cape Province	3	
(d) South Africa	2	10
TOTAL		20 points
The 10 points in respect of the B-BBEE scorecard will be allocated as follows:		
B-BBEE Status Level of Contributor	Number of Points for Preference (80/20)	Number of Points for Preference (90/10)
1	10	5
2	8	4
3	6	3
4	4	2
5	2	1
6	2	1
7	2	1
8	2	1
Non-compliant contributor	0	0

- 5.3. A tenderer must submit proof of its BBBEE status level contributor [scorecard].
- 5.4. A tenderer failing to submit proof of BBBEE status level of contributor -
 - 5.4.1. may only score in terms of the 80-point formula for price; and
 - 5.4.2. Failure on the part of a tenderer to submit proof or documentation required in terms of this tender to claim points for specific goals with the tender, will be interpreted to mean that preference points for specific goals are not claimed.
- 5.5. A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, excluding the BBBEE scorecard -
 - 5.5.1. may only score in terms of the 80-point formula for price; and
 - 5.5.2. scores 0 points out of the relevant preference points where the supplier or service provider did not provide proof thereof.
- 5.6. The preference points scored by a tenderer must be added to the points scored for price.
- 5.7. The points scored must be rounded off to the nearest two decimal places.

**BERGRIVIER MUNICIPALITY
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5.8. Subject to clause 11 below, the contract must be awarded to the tenderer scoring the highest procurement points.

6. The 90/10 preference point system for acquisition of goods, works and / or services with a Rand value above R50 million

6.1. The following formula must be used to calculate the points for price in respect of competitive bids / price quotations with a Rand value above R50 000 000 (all applicable taxes included):

$$P_s = 90 \left(1 - \frac{(P_t - P_{min})}{P_{min}} \right)$$

Where:

P_s = Points scored for comparative price of tender under consideration

P_t = Comparative price of tender under consideration and

P_{min} = Comparative price of lowest acceptable tender

6.2. A maximum of 10 points may be awarded to a tenderer in relation to any of the specified goals.

Specific Goal	Policy targets for 2022/2023	Points to be allocated
Improving opportunities for black people via the BBEE scorecard, inclusive of: (v) Ownership (vi) Management control (vii) Skills development (viii) Enterprise and supplier development		5
Locality		
(e) Bergrivier Area	5	
(f) West Coast District	3	
(g) Western Cape Province	2	
(h) South Africa	1	5
TOTAL		10 points
The 5 points in respect of the B-BBEE scorecard will be allocated as follows:		
B-BBEE Status Level of Contributor	Number of Points for Preference (80/20)	Number of Points for Preference (90/10)
1	10	5
2	8	4
3	6	3
4	4	2
5	2	1
6	2	1
7	2	1
8	2	1
Non-compliant contributor	0	0

**BERGRIVIER MUNICIPALITY
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- 6.3. A tenderer must submit proof of its BBBEE status level contributor [scorecard].
- 6.4. A tenderer failing to submit proof of BBBEE status level of contributor -
- 6.4.1. may only score in terms of the 90-point formula for price; and
- 6.4.2. Failure on the part of a tenderer to submit proof or documentation required in terms of this tender to claim points for specific goals with the tender, will be interpreted to mean that preference points for specific goals are not claimed.
- 6.5. A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, excluding the BBBEE scorecard -
- 6.5.1. may only score in terms of the 90-point formula for price; and
- 6.5.2. scores 0 points out of the relevant preference points where the supplier or service provider did not provide proof thereof.
- 6.6. The preference points scored by a tenderer must be added to the points scored for price.
- 6.7. The points scored must be rounded off to the nearest two decimal places.
- 6.8. Subject to clause 11 below, the contract must be awarded to the tenderer scoring the highest procurement points.

7. The 80/20 preference point system for tenders to generate income or to dispose of or lease assets up to a Rand value up to R50million

~~7.1. Tenders that generate income or to dispose of or lease assets with a rand value below R30 000, will be awarded to the bidder with the highest bid on offer.~~

7.2.7.1. Tenders that generate income or to dispose of or lease assets with a rand value above R302 000 and up to Rand value of R50 million, the following formula must be used to calculate the points for price:

$$P_s = 80 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where:

P_s = Points scored for comparative price of tender under consideration

P_t = Comparative price of tender under consideration and

P_{min} = Comparative price of highest acceptable tender

7.3.7.2. A maximum of 20 points may be awarded to a tenderer for the specified goals envisaged in this Policy.

7.4.7.3. The points scored must be rounded off to the nearest 2 decimal places.

7.5.7.4. Subject to clause 11 below, the contract must be awarded to the tenderer scoring the highest procurement points.

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7.6.7.5. Specific goals for the tender and points claimed are indicated per the table below.

Table 1: Number of points for contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.

B-BBEE Status Level of Contributor	Number of Points for Preference (80/20)
1	10
2	8
3	6
4	4
5	2
6	2
7	2
8	2
Non-compliant contributor	0

Table 2: Number of points for promotion of enterprises located in the local area

Specific Goal	Policy targets for 2022/2023
Improving opportunities for black people via the BBEE scorecard, inclusive of: Ownership Management control Skills development Enterprise and supplier development	10
Locality	
Bergrivier Area	10
West coast District	6
Western Cape Province	3
South Africa	1
TOTAL	20 points

8. The 90/10 preference point system for tenders to generate income or to dispose of or lease assets up to a Rand value above R50million

- 8.1. Tenders that generate income or to dispose of or lease assets with a rand value above R 50 million, will be awarded to the bidder with the highest bid on offer.
- 8.2. Tenders that generate income or to dispose of or lease assets with a rand value above R~~302~~ 000 and up to Rand value of R50 million, the following formula must be used to calculate the points for price:

$$Ps = 90 \left(1 + \frac{Pt - Pmax}{Pmax} \right)$$

Where:

Ps = Points scored for comparative price of tender under consideration

Pt = Comparative price of tender under consideration and

Pmin = Comparative price of highest acceptable tender

- 8.3. A maximum of 10 points may be awarded to a tenderer for the specified goals envisaged in this Policy.
- 8.4. The points scored must be rounded off to the nearest 2 decimal places.
- 8.5. Subject to clause 11 below, the contract must be awarded to the tenderer scoring the highest procurement points.
- 8.6. Specific goals for the tender and points claimed are indicated per the table below.

Table 1: Number of points for contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability

B-BBEE Status Level of Contributor	Number of Points for Preference (90/10)
1	5
2	4
3	3
4	2
5	1
6	1
7	1
8	1
Non-compliant contributor	0

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Table 2: Number of points for promotion of enterprises located in the local area

Specific Goal	Policy targets for 2022/2023
Improving opportunities for black people via the BBBEE scorecard, inclusive of: Ownership Management control Skills development Enterprise and supplier development	5
Locality	
Bergrivier Area	5
West Coast District Municipality	3
Western Cape Province	1
South Africa	1
TOTAL	10 points

9. Criteria for breaking deadlock in scoring

- 9.1. If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for preferences.
- 9.2. If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality.
- 9.3. If two or more tenderers score equal total points in all respects, the award must be decided by drawing of lots.

10. Award of contracts to bids not scoring the highest number of points

- 10.1. A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.
- 10.2. If the municipality intends to apply objective criteria in terms of section 2(1)(f) of the Act, and it is feasible to do so, the municipality must stipulate the objective criteria in the tender documents.

11. Cancellation and re-invitation of bids

- 11.1. In the event that, in the application of the 80/20 preference point system as stipulated in the tender documents:
- i. all tenders received exceed the estimated Rand value of R50 million the tender invitation must be cancelled.
 - ii. If one or more of the acceptable tenders received are within the prescribed threshold of R50 million, all tenders received must be evaluated on the 80/20 preference point system.
- 11.2. In the event that, in the application of the 90/10 preference point system as stipulated in the tender documents,
- 11.2.1. all tenders received are equal to, or below R50 million the tender must be cancelled.
 - 11.2.2. If one or more of the acceptable tenders received are above the prescribed threshold of R50 million all tenders received must be evaluated on the 90/10 preference point system.
- 11.3. The Municipality may, prior to the award of a tender, cancel a tender if:
- 11.3.1. no acceptable tenders were received, or
 - 11.3.2. due to changed circumstances, there is no longer a need for the services, works or goods requested, or
 - 11.3.3. funds are no longer available to cover the total envisaged expenditure, or
 - 11.3.4. no acceptable tenders are received, or
 - 11.3.5. a material irregularity in the tender process has been identified, or
 - 11.3.6. the validity period has expired, due to unforeseen and unavoidable circumstances.
- 11.4. The decision to cancel a tender in terms of clause 11.1 above must be published in the media in which the original tender invitation was advertised.

12. Remedies

- 12.1. Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, or any other matter which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any sub-contracting arrangements, the Municipality must-
- 12.2. Inform the tenderer accordingly.
- 12.3. Give the tenderer an opportunity to make representations within 7 days as to why-
- 12.3.1.1. the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part; and
 - 12.3.1.2. the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state.
- 12.3.2. After considering the representations referred to above, resolves that-
- 12.3.2.1. Such false information was submitted by the tenderer-
 - 12.3.2.1.1. Disqualify the tenderer or terminate the contract in whole or in part.
 - 12.3.2.1.2. If applicable, claim damages from the tenderer.
 - 12.3.2.1.3. Apply any other approved consequence management action as deemed necessary.

12.4. Where the successful tenderer sub-contracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10% of the value of the contract.

12.5. The Municipality must-

12.5.1. Inform the National Treasury, in writing, of any actions taken as above.

12.5.2. Provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state.

12.5.3. Submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.

13. Mechanisms to support preferential procurement

13.1. Uniformity and simplification:

13.1.1. Tender documents will be rationalised and simplified.

13.1.2. Tender documents will include all certificates, declarations, and preference requirements.

13.1.3. Where possible standardised contract templates will form part of tender documents.

13.1.4. Contracts will include payment cycles linked to delivery and performance reporting cycles.

13.2. Database, panels, roster and/or rotation application:

13.2.1. A supplier database or various supplier databases, dependent on the commodity, will be maintained.

13.2.2. The supplier's database(s) will be updated on an annual basis and used on a roster or rotation mechanism basis.

13.3. Unbundling:

13.3.1. Tenders must, where practical, be unbundled into cost components and specific strategies be determined for each, e.g., for the semi- and unskilled labour portion, only locally based unemployed youth must be targeted.

13.3.2. Unbundling strategies can be afforded to the full spectrum of businesses, from those operating as labour only contractors to those operating as prime contractors. Some of these strategies can be summarised as follows:

13.3.2.1. Providing third-party management support to enterprises which are not capable of operating as prime contractors.

13.3.2.2. Providing training to new entrants.

13.3.2.3. Promoting learner-ships, internships, pupil-ships, etc.

13.3.2.4. Obligating main contractors or service providers to engage targeted enterprises in the performance of their contracts incorporating resource specifications.

13.3.2.5. Foster joint ventures that are formed between large businesses and targeted enterprises (termed as Structured Joint Ventures).

13.3.2.6. Encourage and involve funding institutions to assist small businesses with access to finance and negotiate for credit lines.

13.3.2.7. Encourage local manufacturing and procurement from small businesses within the Bergrivier municipal area.

13.3.2.8. Unbundling of big projects and identifying opportunities and areas/scope of works that can be carried out by emerging contractors bar those from the main assignment shall be pursued vigorously.

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13.3.2.9. Unbundling strategies do not include the breaking down of projects into smaller portions to remain below certain threshold values or more than one contract.

13.4. Payment cycles:

13.4.1. The payment of invoices is dependent on timely invoicing, approval of invoices and on the payment administration. Responsible officials must process approved invoices within 30 days of receiving the invoice, unless otherwise provided for in the contract.

13.4.2. Reasons for not approving an invoice must be communicated to the tenderer prior to the lapsing of the said 30 days.

13.4.3. Officials must endeavour to, where feasible, process invoices of SMME's within 5-7 days to promote their cash flow position. Invoices must be submitted before 10:00 on a Wednesday, to facilitate timely payment.

13.4.4. Depending on the commodity and the procurement process adopted, deposits, establishment fees, upfront payments, front-loaded payments, etc may be allowed if provided for in the tender specifications and contract provisions. Appropriate control mechanisms and guarantees must support such payments.

13.5. Performance guarantees:

13.5.1. The following level of sureties or guarantees will be introduced as a minimum, based on the risk exposure and type of contract, where relevant, inclusive of CIDB tenders:

TYPE	DEFINITION	LEVEL OF SURETY
Major	<ul style="list-style-type: none"> ➤ Onerous requirements ➤ High contract value ➤ Large scale development 	➤ 10% above R 10m contract value
Minor	<ul style="list-style-type: none"> ➤ Risks are judged to be acceptable ➤ Low value ➤ Straight-forward work 	➤ 5% above R 5m contract value
Micro	<ul style="list-style-type: none"> ➤ Risks are judged to be limited or non-existent ➤ Low value ➤ Limited documentation flow ➤ Short term project 	➤ 2.5% below R 5m contract value

13.6. Skills transfer:

13.6.1. Skills transfer is promoted, and Bergrivier Municipality will endeavour to support SMME's and BBBEE enterprises skills transfer through:

13.6.1.1. Proper contract management.

13.6.1.2. Provision of adequate information of why tenders were not successful.

13.6.1.3. Develop and provide a training programme and related sessions for small suppliers as part of the Municipal Local Economic Development [LED] programme.

13.6.1.4. Promoting access to uniform and standardised bid documents with proper instructions for completion.

13.6.2. The following skills transfer principles will be introduced as a minimum, based on the risk exposure and type of contract, where relevant, inclusive of CIDB tenders:

TYPE	DEFINITION	LEVEL OF SKILLS TRANSFER
Major	<ul style="list-style-type: none"> ➤ Onerous requirements ➤ High contract value ➤ Large scale development ➤ Above R 5m ➤ Long-term contracts 	Formal training, inclusive of accredited training; Certificates/ Diplomas/ Degrees; Interns; Learner ships; Pupil-ships and Bursaries

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TYPE	DEFINITION	LEVEL OF SKILLS TRANSFER
Minor	<ul style="list-style-type: none"> ➤ Risks are judged to be acceptable ➤ Low value ➤ Straight-forward work ➤ Above R 3 m ➤ Contracts for more than 1-year 	Informal training inclusive of Interns; Learner ships; Pupil-ships and Bursaries
Micro	<ul style="list-style-type: none"> ➤ Risks are judged to be limited or non-existent ➤ Low value ➤ Limited documentation flow ➤ Short term projects 	Basic training and certificate of jobs performed

13.7. CSI – Corporate Social Investment:

13.7.1. Corporate social investment (CSI) is defined as contributions (either employee time and/or resources) which bring benefits over and above those directly associated with the Municipal core business activities.

13.7.2. Depending on the principles of fairness and cost-effectiveness, the relevant commodity required and the profile of the supply industry, the Municipality may require that specific CSI contributions be made in line with the Municipal Grant-in-Aid Policy.

13.7.3. The suppliers shall be expected to indicate or provide an outline of socio-economic projects to be implemented through its Corporate Social Responsibility in the Bergrivier Municipal area. Proposed projects must be measurable with specific focus on vulnerable groups. Bidders can suggest or explore the following socio-economic project practices for consideration:

13.7.3.1. On the job training and development of staff (learnerships), particularly for the unemployed or young people including the recruitment of long-term job seekers and handicapped people.

13.7.3.2. Young women / mother's upliftment / leadership programme.

13.7.3.3. Skills development initiatives (technical and soft skills) must be accredited with recognised institutions.

13.7.3.4. Youth leadership and empowerment projects.

13.7.3.5. Early childhood development.

13.7.3.6. Projects can be in collaboration with local CBO's, NGOs, and relevant institutions.

13.7.3.7. Business skills and enterprise support including mentoring of local enterprises.

13.7.3.8. Development of Parks and open spaces.

13.7.3.9. New Year economic development project.

13.7.4. It is specifically recorded that NO CSI financial contributions will be required or accepted.

13.7.5. The Municipality will adopt a uniform standard in acknowledging, monitoring, and reporting on CSI contributions.

13.8. Contract conditions:

13.8.1. Contract conditions for each strategy needs to consider the following elements:

13.8.1.1. Is an additional contract necessary and if so, what will the terms be?

13.8.1.2. What is the contract monitoring and reporting mechanism?

13.8.1.3. Consider whether Employment contracts to be in place and how will it be monitored (to ensure minimum wages are paid and UIF, etc in place)

13.8.1.4. Is LED support required?

13.8.1.5. Identified contract manager and contract administrator.

13.9. Performance management:

- 13.9.1. The effectiveness and efficiency of this Policy will be reviewed as per the Bergrivier Municipality's SCM Policy and related performance management provisions.
- 13.9.2. Constructive and active contract management and administration will result in an increase in the capacity of suppliers and service providers as well as continuous performance improvements.

13.10. Enterprise development:

- 13.10.1. Co-ordinate the appropriate Supplier and Contractor Development Programmes for the active promotion of the following development outcomes:
 - 13.10.1.1. Improve the grading status of suppliers, service providers and contractors in targeted categories and grades.
 - 13.10.1.2. Increase the number of black women, disabled, and youth-owned companies in targeted categories.
 - 13.10.1.3. Create sustainable contracting enterprises by enabling continuous work through a competitive process.
 - 13.10.1.4. Improve the performance of suppliers, service providers and contractors in terms of quality, employment practices, skills development, safety, health, and the environment.
 - 13.10.1.5. Improve the business management and technical skills of these suppliers, service providers and contractors.

14. Alignment with the procurement process

- 14.1. The Municipal SCM Policy will guide the relevant SCM activities required.
- 14.2. The 'tender format/strategy' as identified in the policy statements and the targets above will be considered and where feasible included in any tender specifications as 'special conditions to tender'.

15. Deviations and exemptions

- 15.1. Any exemption from compliance to this Policy shall be permitted only within the delegatory powers permitted by Council and as prescribed in terms of the MFMA and the PPPFA.

16. Complaints, enquiries, disputes, or appeals

- 16.1. The Bergrivier Municipality SCM Policy, provides for a mechanism to deal with SCM related complaints, enquiries or disputes which will apply when bidders wish to record any complaint, enquiry, or dispute regarding this Policy.

17. Access to information and training

- 17.1. Unsuccessful bidders will be informed of the reasons for their bid not being successful, if so, requested in writing. To ease the administrative burden a checklist will be used.
- 17.2. Bidders should be supported to obtain tender information.
- 17.3. Any prospective bidder will be entitled to receive information and/or training regarding the following:
 - 17.3.1. Financial support.
 - 17.3.2. SCM related training.
 - 17.3.3. Assistance with tendering process.
 - 17.3.4. Bidding process.
 - 17.3.5. Preferential procurement.
 - 17.3.6. Completion of Bid documentation.
 - 17.3.7. Project and contract management.
- 17.4. Formal requests for access to information must be dealt with within the PAIA Policy of the Bergrivier Municipality.
- 17.5. Requests for access to training must be directed to the LED Manager.

18. Administration of policy

18.1. Responsibility

- 18.1.1. Responsibility for the implementation and administration of the Policy is delegated to the Accounting Officer, who will use the support from the LED Manager.
- 18.1.2. The Accounting Officer must ensure that each budget holder assumes responsibility for the implementation of the Policy within his/her area of responsibility and that such responsibility is included in his/her Performance Indicators, if so required.

18.2. LED

- 18.2.1. The Accounting Officer must ensure that the organisational design of the LED Office is appropriately structured, resourced, and capacitated.
- 18.2.2. The data captured by the SCM Unit will be analysed and report on by the Manager: LED.

18.3. SCMU

- 18.3.1. The SCMU must maintain a database of requests and transactions to develop a trend-analysis and through such a process identify areas for efficiency and cost-effective improvements, e.g., minimising smaller purchases and maximising term contracts as well as determining strategies for universal commodities.
- 18.3.2. The data relevant to this Policy will be maintained by the SCM Unit as part of its contract register.

18.4. Oversight by Council

18.4.1. The Accounting Officer must align its reporting requirements to the Council as per SCM TR 6 to also report on progress with the implementation of the Policy.

19. Maintenance

19.1. Given the changing nature of the regulatory, control and operational environment of the Municipality, this Policy will be regularly reviewed and updated on an ongoing basis.

19.2. For clarification of any matter contained in this Policy, please address queries to the LED Manager.

20. Implementation

20.1. This Policy is effective from January 2024.

20.2. This Policy will be implemented in phases as follows:

20.2.1. For the 2022/2023 financial year this Policy will apply to all tenders more than R 200 000 and long-term contracts for which formal tenders are invited.

20.2.2. For the 2023/2024 financial year this Policy will apply to all tenders more than R300 000 and long-term contracts for which formal tenders are invited.

20.2.3. In the interim, all tenders invited in terms of the PPPFA Regulations of 2017 at the time this Policy is adopted must be evaluated and adjudicated *mutatis mutandis*, within the provisions of this Policy.

21. SHORT TITLE

This policy is called the Bergrivier Municipality Preferential Procurement Policy and takes effect upon Council approval.

As approved by Council at the Council meeting which was held on 23 January 2024.

Signed at Piketberg on the day of/20.....

.....

Municipal Manager



CORPORATE SOCIAL INVESTMENT AND RELIEF FUNDING POLICY, 2024.

Adopted in terms of Section 12 of the Local Government Finance Management Act, 2003.

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PART 1: PREAMBLE

- 1.1. **WHEREAS** this Policy is to complement the goals, objectives, programmes, and actions of the Bergrivier Municipality to create a sustainable, credible, and caring municipality by empowering and building communities and enhancing growth and sharing through partnerships.
- 1.2. **WHEREAS** the Municipality wishes to develop socio-organisational, human and skills development mechanisms to empower citizens and to uplift communities as a way to induce creativity, strengthen cohesion and to reach responsiveness to economic turbulence. The IDP is a major instrument in this regard. However, currently business Corporate Social Investments are not necessarily structured to directly address the challenges identified in the IDP. The primary aim of this Corporate Social Investment and Relief Funding Policy is to address development issues in South Africa in general and in the Municipal area in particular as identified in the IDP.
- 1.3. **WHEREAS** the Municipality has a responsibility to engage in Corporate Social Investment and other relief funding and looks to the corporate citizens of the region as partners in addressing the needs of all stakeholders and to adopt the 'triple-bottom line' approach, focusing on social, environmental, and economic concerns which means a focus on people, plant, and profit respectively.
- 1.4. **WHEREAS** the Municipality wishes to enter into a partnership with civil society, other government departments, community, and non-governmental organisations as well as business (small and large). Every partner should be a responsible and contributing corporate citizen is a key component of its business strategy and through its community investment strategy, committed to empowering and uplifting specific disadvantaged communities in the Bergrivier Municipality.
- 1.5. **WHEREAS** the newly established MFMA section 12 relief fund, would be an independent, transparent, and non-profit structure to which every organisation that contributes to the collective corporate social investment agenda of the Bergrivier Municipality belongs.
- 1.6. **WHEREAS** this Policy would give effect and guidelines as to the management of corporate social investments and other relief funding.
- 1.7. **NOW THEREFORE** the Bergrivier Municipal Council adopts the Corporate Social Investment and Relief Funding Policy as set out in this document.

PART 2: PURPOSE

2.1. The purpose of this Corporate Social Investment and Relief Funding Policy is to:

- 2.1.1. Ensure a framework for receiving and making payments from Corporate Social Investments and other relief funding as envisaged by section 12 of the MFMA.
- 2.1.2. Improve the opportunity for the Council to elicit financial support from external organisations to deliver services to communities that fall within the Council's area of responsibility in a way that allows the town to create an enabling environment for community development.
- 2.1.3. Provide the opportunity for developing methods of joint funding strategies with outside agencies such as matching funding or sponsorship partnerships to meet the objectives of a developmental local government.

PART 3: OBJECTIVES

- 3.1. A key objective of this Corporate Social Investment and Relief Funding Policy is to provide the opportunity to receive and manage funding from external institutions as part of their Corporate Social Investment or other relief funding to achieve the objectives of the municipality's Constitutional mandate as reflected in its Integrated Development Plan [IDP].
- 3.2. The Bergrivier Municipality wishes to cultivate a corporate culture where all businesses, in partnership with the municipality, local non-government organizations and community/civic structures, voluntarily involve themselves in addressing the social welfare, community and economic development challenges facing Bergrivier municipal region that will contribute to a better society and a cleaner environment.
- 3.3. This Policy should also provide the opportunity for developing methods of joint funding strategies with external institutions such as matching funding or sponsorship partnerships to meet the objectives of developmental local government.
- 3.4. Financial relief paid from funds received as Corporate Social Investments or other relief funding should not duplicate the operations already provided by the Council in the jurisdiction of the municipality, but rather complement such operations where possible.

PART 4: PRINCIPLES

4.1. The principles guiding this Corporate Social Investment and Relief Funding Policy are to:

- 4.1.1. Promote fairness, equitability, and transparency in the process of receiving and managing Corporate Social Investments and other relief funding.
- 4.1.2. Support the poor, aged, youth, disabled and women.
- 4.1.3. Promote sustainable solutions to serve the poor, marginalised, or otherwise vulnerable.
- 4.1.4. Identify and develop sustainable matching funding or sponsorship partnerships to meet the objectives of a developmental local government.

PART 5: ALIGNMENT WITH THE MUNICIPALITIES' STRATEGIC GOALS AND OBJECTIVES

5.1. This Corporate Social Investment and Relief Funding Policy supports the following municipal strategic objectives drawn from the Integrated Development Plan [IDP]:

- 5.1.1. To enhance access to basic services and address maintenance backlogs.
- 5.1.2. To create a safe and healthy living environment.
- 5.1.3. To develop integrated and sustainable settlements with the view to correcting spatial imbalances.
- 5.1.4. To enhance economic development with a focus on both first and second economies.
- 5.1.5. To promote good governance and community participation.

PART 6: LEGISLATIVE AND LEGAL FRAMEWORK

6.1. Corporate Social Investment is the continuing commitment by the Municipality and business to behave ethically, responsibly and contribute to socio-economic development of local communities while improving the quality of life of the workforce and their families as well as of the local community and society at large.

6.2. All monies received as Corporate Social Investments and other relief funding shall comply with the following legislation and amendments from time to time:

- 6.2.1. Constitution of the Republic of South Africa, 1996 as amended (Constitution).
 - 6.2.2. Local Government: Municipal Systems Act, Act 32 of 2000 as amended (MSA).
 - 6.2.3. Local Government: Municipal Finance Management Act 56 of 2003 (MFMA).
 - 6.2.4. MFMA Budget and Reporting Regulations as published in the government gazette no 32141 on 17 April 2009 and related National Treasury budget circulars.
 - 6.2.5. The Municipal Regulations on Standard Chart of Accounts (mSCOA) as published in the government gazette no 37577 on 22 April 2014.
 - 6.2.6. Any other applicable legislation, regulations, and policies that may govern the transfer of municipal funds and that are not in contradiction to the above.
- 6.3. The power of the municipality to receive and manage Corporate Social Investments and other relief funding is regulated by section 156 of the Constitution as read with section 8 of the MSA and section 12 of the MFMA, providing for relief, charitable, trust, or other funds.
- 6.4. Section 12 of the MFMA provides that only the Municipal Manager may be an Accounting Officer of a relief, charitable, trust, or other funds, subject to the following:
- 6.4.1. That monies paid into such a fund must be paid into a separate bank account of the municipality.
 - 6.4.2. That monies may only be withdrawn on the written authority of the Accounting Office acting in accordance with decisions of the Council and for the purposes for which and subject to the conditions on which the fund was established and money was donated for.
 - 6.4.3. That as per the Budget and Reporting Regulations, Regulation 12, the fund is fully cash-backed, that expenditures and donations are approved in the municipal budget and that no municipal funds may be paid into such a fund.
 - 6.4.4. CSR budget will be based on and limited to the available amount in the CSR banking account.
- 6.5. Additional to the provisions of MFMA section 12, the municipality also resolved to ensure appropriate internal controls:
- 6.5.1. Any financial relief made that does not conform to the requirements of this Policy is irregular expenditure in terms of the MFMA and could also be considered in some circumstances

unauthorised. These funds might therefore have to be recovered from the person liable for the expenditure in terms of section 32 of the MFMA.

- 6.5.2. No president is established with respect to applicants who have been awarded funds before.
- 6.5.3. The municipality has the discretion to approve or reject any application for relief funding from this Policy.
- 6.5.4. The total financial relief as per this Policy may not exceed R 10 000 per person per annum, subject to the availability of funds.
- 6.5.5. Underspent relief funds in any financial year, will be carried over into any ensuing financial year.

PART 7: OTHER POLICIES

7.1. This Corporate Social Investment and Relief Funding Policy must be read and applied, mindful of other Council Policies such as the Policies related to:

- 7.1.1. Indigent support and free basic services.
- 7.1.2. Bursaries, internships, and learnerships.
- 7.1.3. Housing development subsidies.
- 7.1.4. Use of municipal movable and/or immovable assets.
- 7.1.5. Financial Support via Transfer Payments.

PART 8: SCOPE OF APPLICATION

8.1. Any person, organisation, or body may pay funds as Corporate Social Investments or other relief funding into the Municipal MFMA section 12 fund.

8.2. Payments from the MFMA section 12 fund for relief, charitable, or other deserving purposes may be made, as prescribed, to any person, body, or organisation for whose benefit the fund was established and subject to the conditions of such support.

8.3. Individuals for beneficial and deserving causes and/or purposes, within the boundaries of Municipality, may include, but is not limited to:

- 8.3.1. Pauper burials.
- 8.3.2. Meritorious actions or purposes.
- 8.3.3. Food parcels.
- 8.3.4. Victims of disasters.

PART 9: EXCLUSIONS

9.1. This Corporate Social Investment and Relief Funding Policy does not apply to the following, which the Council may regulate via separate policies:

- 9.1.1. Political beneficial purposes.
- 9.1.2. Procurement for goods and services.
- 9.1.3. Bursaries or funds to bursars for other activities, reasons, or resources.
- 9.1.4. Indigent support.
- 9.1.5. Housing development subsidies.
- 9.1.6. Housing billing subsidies.
- 9.1.7. Donation of movable or immovable assets.
- 9.1.8. Conditional grants received by the Municipality, which are in turn awarded to outside organisations to perform the service or function.
- 9.1.9. Inter-governmental grants.
- 9.1.10. Support in respect of property rates.
- 9.1.11. In cases where a person or persons apply for start-up funding for SMME enterprises or business assistance, which cases qualify as LED projects, and for which alternative regulatory arrangements apply.
- 9.1.12. Beneficiaries of transfer payments made in terms of section 67 of the MFMA.

9.2. Funding will not be considered in the following circumstances:

- 9.2.1. Where expenses have already been incurred unless additional motivation was provided and found to be meritorious.
- 9.2.2. Where the application does not meet with the stated objectives and principles of this Policy.
- 9.2.3. Where the application does not meet the priorities, strategies, and objectives of the IDP.
- 9.2.4. Where a project or organisation is already receiving sufficient funding from other sources to sustain its activities, or the project applied for.
- 9.2.5. Where organisations did not comply with its obligation conditions during previous relief funding.

PART 10: PROCESS

10.1. ACCESS TO POLICY

- 10.1.1. This Corporate Social Investment and Relief Funding Policy and the required application forms will be made available on the Municipal website.
- 10.1.2. Councillors may during their scheduled Ward meetings explain to prospective applicants the application process and the required supporting documents to be submitted as part of the application.

10.2. APPLICATION PROCESS

- 10.2.1. Applications for relief funding in terms of this Corporate Social Investment and Relief Funding Policy must be made on the prescribed form as per **Form FR 01**.

10.3. SCREENING PROCESS

- 10.3.1. Applications will be received and registered by the Office of the Executive Mayor.
- 10.3.2. An initial screening will be conducted as per the criteria stipulated on **Form FR 02**, by the Office of the Executive Mayor and additional information will be sourced to ensure the application is complete.
- 10.3.3. The Office of the Executive Mayor will make recommendations to the Executive Mayoral Committee.

10.4. APPROVAL PROCESS

10.4.1. The Executive Mayoral Committee will consider and resolve on the recommendations from the Office of the Executive Mayor also ensuring that the applications:

- (i) Comply with the Municipality's criteria.
- (ii) Comply with available funds.
- (iii) Comply with the provisions of section 12 of the MFMA.

10.5. AWARD PROCESS

10.5.1. All applicants will be informed in writing of the outcome of their applications by the Office of the Executive Mayor.

10.5.2. Where applicants were turned down, they may request reasons.

10.5.3. Successful applicants who receive financial relief must sign the Financial Relief Certificate, as per Form FR 03.

10.6. PAYMENT PROCESS

10.6.1. Payments will only be made once the applicant's banking and other financial details have been captured on the municipal creditors' system.

10.6.2. Payments will be transferred to the bank account of the applicant electronically.

10.6.3. Payments will be approved and executed by the relevant delegated authority in the Office of the CFO.

10.7. MONITORING, EVALUATION, AND REPORTING

10.7.1. The Office of the Executive Mayor is responsible for the monitoring and evaluation of the allocations, by ensuring that:

- (i) Funds are used exclusively for the purposes for which, and subject to any conditions on which, the relief funding was approved.
- (ii) Where it is found that relief funding was used in breach of the relevant approval, the provisions of this Policy must be invoked, and the matter must be reported to the Accounting Officer and the Council or relevant Committee of the Council and immediate steps must be taken to recover misappropriated funds.

- (iii) There is a quarterly report on the financial relief, to the Accounting Officer, as well as to the relevant Portfolio Committee(s).

10.7.2. The Office of the Executive Mayor must maintain a register of all Corporate Social Investment or other relief funding received and financial relief contributions made per financial year.

10.8. ACCOUNTING TREATMENT

10.8.1. Payments will be affected through the financial system of Accounts Payable.

10.8.2. For accounting purposes, it is required that:

- (i) All financial support made from the relief, charitable, trust, or other funds established in terms of section 12 of the MFMA are cash backed, fully accounted for, reported on as a donation as prescribed by the MFMA, and compliant with the conditions from the donor institutions, where relevant.
- (ii) All financial support must be accounted for in line with mSCOA requirements.
- (iii) Relevant narrative fields must be completed when processing payments to identify the various financial support institutions and programmes.

PART 11: RIGHTS AND OBLIGATIONS OF THE APPLICANT

11.1. Relief funding received may only be applied for approved purposes.

PART 12: RIGHTS AND OBLIGATIONS OF DONORS CONTRIBUTING TOWARDS THE MFMA SECTION 12 FUND

12.1. The municipality may receive Corporate Social Investments, relief funding, subsidies, and donations from businesses or bodies outside any sphere of government.

12.2. These transfers and subsidies are regarded as conditional grants and may only be spent in terms of the conditions stipulated in writing by the donors, if so agreed to by the Municipality when accepting the donation or as per the conditions stipulated in this Policy and per application award

12.3. These funds will be managed and accounted for as relief, charitable, trust, or other funds established in terms of section 12 of the MFMA.

PART 13: RIGHTS AND OBLIGATIONS OF THE MUNICIPALITY

- 13.1. The municipality, via its Executive Mayoral Committee, will exercise its sole discretion to consider and grant relief funding from the MFMA section 12 fund.
- 13.2. The municipality reserves the right not to grant financial relief. Having benefitted from financial relief previously does not give an applicant the right to receive financial relief again.
- 13.3. The prioritisation of applications as well as the amount of financial relief may vary from year to year.

PART 14: MAINTENANCE

- 14.1. Given the changing nature of the regulatory, control, and operational environment of the municipality, this document will be updated on an ongoing basis.
- 14.2. For clarification of any matter contained in this Policy, please address queries to the Director: Corporate Management.

PART 15: IMPLEMENTATION

- 15.1. This Policy is effective from
- 15.2. It is the responsibility of the Municipal Manager, Directors, and various Line Department Managers to bring the content of this Policy to the attention of all parties concerned.

PART 16: FORM CONTROL

- 16.1. Municipal Manager: The management must maintain Form Control over the relevant forms and templates.

DOCUMENT DEFINITION

Version

Date

Summary

This document is the Bergrivier Corporate Social Investment and Relief Funding Policy

Signature

Date:

ACCOUNTING OFFICER

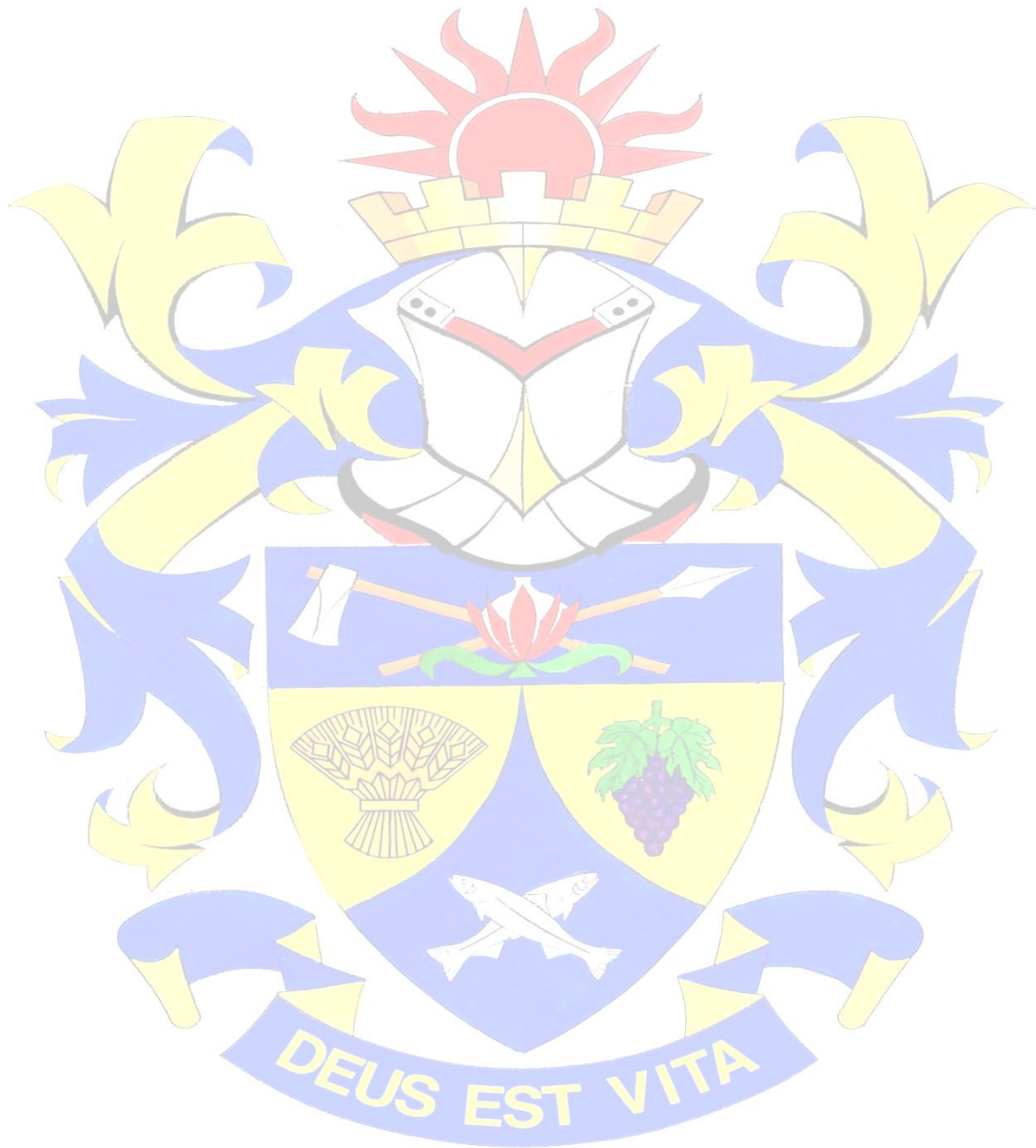
Effective date

....

AMENDMENT HISTORY

No	Amendment reference	Effective date	Chapter	Paragraph	Short description
1					
2					
3					

BERGRIVIER MUNICIPALITY



CONSULTANT REDUCTION STRATEGY 2024/2025

BERGRIVIER MUNICIPALITY

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BERGRIVIER MUNICIPALITY

1. REGULATORY FRAMEWORK

MFMA	Requirements
Section 62(a)	The accounting officer of a municipality is responsible for managing the financial administration of the Municipality, and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.
Section 78(b)	Each Senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure – that the financial and other resources of the municipality are utilized effectively, efficiently, economically and economically.
Municipal Cost Containment Regulation (Reg 5 Read together with MFMA Circular 97)	A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function. (5) When consultants are appointed, an accounting officer must:- (d) ensure the transfer of skills by consultants to the relevant officials of the municipality or municipal entity (f) develop consultancy reduction plans to reduce the reliance on consultants
MCCR – Reg 7	A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and appropriately recorded and monitored.

2. OBJECTIVES

Compliance with the regulatory framework in terms of the relevant legislation is required.

3. RESPONSIBILITY AND ACCOUNTABILITY

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

Accounting Officer (Municipal Manager)-

(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—

BERGRIVIER MUNICIPALITY

- (i) recognises expenditure when it is incurred;
- (ii) accounts for creditors of the municipality; and
- (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 eft or provided that cash payments and payments by way of cash may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager delegates authority to the Chief Financial Officer to ensure compliance and adherence to the principles established by this policy.

4. OVERVIEW

<p>Lack of appropriate skills and expertise has become the shorthand for almost everything that is wrong with local government in South Africa (Peters and van Nieuwenhuyzen, 2013). As a result, the “solution” is thus either individual skills enhancement or the deployment of skills to the Municipality, or a combination of both.</p>	<p>Factors impacting on the capacity of the municipality to be self-sufficient and to limit the use of external consultants</p>	
	Human Resources	<p>Organisational structures does not provide for specialists in various fields of local government competencies, High vacancy rate, overtime expenditure and unfunded posts</p>
	Structural responsibilities	<p>Senior Managers overloaded with a lot of responsibilities unable to focus which is exacerbated by administration work. Appointment of incompetent senior managers and staff.</p>
	Budget	<p>High employee costs – exceeding the norm</p>
	Upper limits and task job limits	<p>The upper limits of municipalities remuneration is not market related which results in challenges to attract and retain staff in professional fields.</p>

Justification for the consideration to Use Consultants

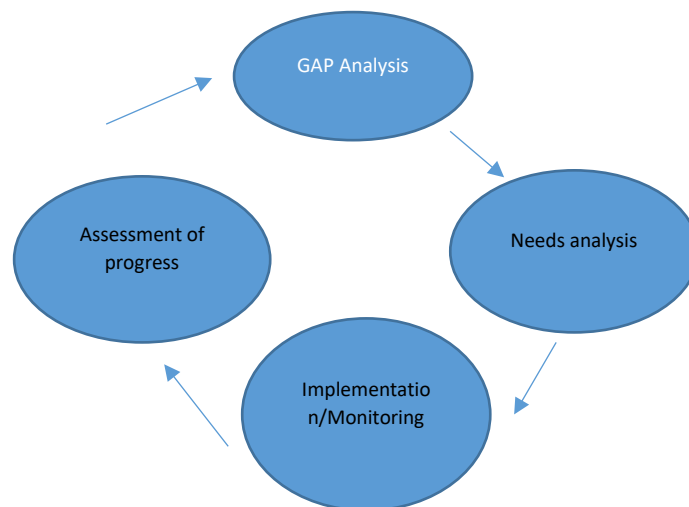
BERGRIVIER MUNICIPALITY

- i) Outside the “business-as-usual” environment when in-house skills are not available and it will be time-limited,
- ii) Services required to provide additional skills or expertise which are not available within the Bergrivier Municipality, (for example – investigating problems, providing analysis or advice, or assisting with the development of new systems, new structures or new capabilities within the organization and to prepare specifications and manage construction of essential services and works).
- iii) Lack of internal capacity is unavailable to undertake certain professional work that will require a Chartered Accountant to assist the Municipality, if the Municipality does not have a chartered accountant.
- iv) Independence/objectivity is required and cannot be provided within the municipality.

5. GAP ANALYSIS

The Municipality is expected to perform a GAP analysis within its structures prior to procuring the services of a consultant.

This analysis assesses the need thereof against the available internal capacity for the specific service required.



The purpose of the GAP Analysis:-

- i) To strengthen the ability of institutions to identify skills shortages and underutilized skills.
- ii) To develop short-medium term plan to address deficiencies.

GAP analysis considerations:-

- i) Cost effectiveness

BERGRIVIER MUNICIPALITY

The Municipality must analyse the cost-effectiveness of permanent capacity versus making use of consultants, while ensuring continuity and service delivery.

- ii) **Frequency**
How often does the Institution use the skills required for the tasks performed by external Consultants. The Consultants panel must be rotated constantly.
- iii) **Institution objectives**
Are the objectives of the Municipality better achieved through the appointment of Consultants or permanent staff.
- iv) **Vacancies**
The Municipality should consider filling positions or hire a person on a permanent appointment to perform the required task versus the appointment of a Consultant.
- v) **Internal Skills**
Skills should be transferred if a Consultant is appointed and the municipality has identified a person to whom the skill can be transferred.
- vi) **Appointment process**
Is there sufficient budget to appoint staff and is the internal process to appoint permanent staff inefficient and ineffective?
Is there a lack of permanently appointed staff with necessary skills and experience in the institution, which necessitated the appointment of Consultants as a compensating measure.
- vii) **Nature and extent of services**
The Municipality must analyse the nature and extent of services to be outsourced and whether they are specialized, once-off, temporary services, or services that are of a non-specialized nature?
- viii) **Monitoring and Performance**
Are Consultants appointed to monitor work of Employees?
Are Consultants appointed to complete specifications for tenders for which they did not tender?
Is the Consultant monitored monthly on performance?

6. REDUCTION OPTIONS

- 6.1 Where there is a lack of competency to manage, guide or control the utilization of external consultancy collaborate with Provincial and National Government departments for specialized support.
- 6.2 Implement a shared service model within the District for professional services
- 6.3 Annually evaluation of the organizational structure to establish opportunities to extend and fill vacancies and provide for new posts. The Budget Steering Committee should annually during the budgetary process consider the annual management report on the appointment of consultants in order to decide on replacing consultants with full time staff.

BERGRIVIER MUNICIPALITY

7. KEY ELEMENTS OF A CONSULTANT REDUCTION PLAN

- 7.1 The Municipality must have:-
 - 7.1.1 A training plan.
 - 7.1.2 How performance will be monitored and evaluated
 - 7.1.3 Skills transfer resource allocation
 - 7.1.4 Employee retention strategies and succession plans
 - 7.1.5 Budget component
 - 7.1.6 Expected Outputs
- 7.2 Monitoring and Evaluation – Planning –
 - 7.2.1 Set specific milestones (Regulation 5b)
Proper contract administration must be provided for setting proper milestones, performance targets, monitoring systems and roles and responsibilities by the Municipality.
 - 7.2.2 Budget (Regulation 5c)
The cost of the travel and subsistence and disbursements must be included in the budget provision before appointment of the Consultant.
 - 7.2.3 Transfer of skills (regulation 5d)
Skill transfer must be included in the requirement with appointment.
 - 7.2.4 Time and Cost
The appointment must be done on a time and cost per hour basis or for the total project. The project must always state the start and end date of the project.
 - 7.2.5 Penalty Clauses (Regulation 6)
Penalty clauses must be included in the Service Level Agreement.
 - 7.2.6 Rates Charged (regulation 3)
The remuneration will not exceed the gazetted rates.
 - 7.2.7 The Municipality must ensure that deliverables are clear, specific and measurable to easily measure the project outcomes and to ensure that the Municipality receives value for money.

8. IMPLEMENTATION OF THE PLAN

- 8.1 The Cost containment Policy of Council must be implemented and the forms attached to the policy must be used for each Consultant.
- 8.2 The GAP analysis must be performed before an appointment can be made
- 8.3 A service level agreement must be developed after the appointment of the Consultant.
- 8.4 Non-adherence to the plan can lead to disciplinary action.
- 8.5 Monthly the evaluation form that was developed must be completed by the Project Manager.
- 8.6 All evidence must be filled electronically for audit purposes.

BERGRIVIER LOCAL MUNICIPALITY



Draft Policy and Procedure – Unauthorised, Irregular,
Fruitless and Wasteful Expenditure Policy – 2024/2025

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1. POLICY TITLE

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY

2. PURPOSE

1.1 The purpose of this policy is to define and regulate unauthorised, irregular or fruitless and wasteful expenditure. The aim is to prevent unauthorised, irregular or fruitless and wasteful expenditure; to identify and investigate unauthorised, irregular or fruitless and wasteful expenditure; to respond appropriately in accordance with the law and to address instances of unauthorised, irregular or fruitless and wasteful expenditure conclusively.

1.2 In terms of section 4(2)(a) of the Municipal Systems Act (MSA) the Council has a duty to use the resources of the municipality in the best interest of the local community. This duty is extended to individual Councillors through the Code of Conduct for Councillors which states that a Councillor must:

- (a) “perform the functions of office in good faith, honestly and in a transparent manner; and
- (b) “at all times act in the best interests of the community and in such a way that the credibility and integrity of the municipality are not compromised.”

3. DEFINITIONS

In this Policy, unless the context otherwise indicates:

- (a) “**Allocation**”, in relation to a municipality, means –
 - i. a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution;
 - ii. an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
 - iii. an allocation of money to a municipality in terms of a provincial budget; or
 - iv. 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;
- (b) “**BM**”, means Bergrivier Local Municipality.
- (c) “**CFO**”, means Chief Financial Officer.

- (d) **“Fruitless and wasteful expenditure”** means expenditure that was made in vain and could have been avoided had reasonable care been exercised. *The phrase “made in vain” indicates that the municipality derived no value for money from the expenditure or the use of other resources.* Fruitless and wasteful expenditure must fulfil both the conditions in the definition, namely, that it was made in vain and it would have been avoided had reasonable care been exercised.
- (e) **“IDP”**, means Integrated Development Plan
- (f) **“Irregular expenditure”**, in relation to a municipality or municipal entity, means:
- i. expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170;
 - ii. 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;
 - iii. 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
 - iv. 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”.
- (g) **“MBRR”**, means Municipal Budget and Reporting Regulations.
- (h) **“MFMA”**, means Municipal Financial Management Act.
- (i) **“Overspending”** –
- i. In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure as the case may be;
 - ii. In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
 - iii. In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.
- (j) **“Policy”**, means a guide or framework enabling a municipality to achieve its objectives in the interest of the community. It is a basic principle by which a municipality is guided.

- (k) **“SFA”**, means strategic focus areas.
- (l) **“Unauthorised expenditure”**, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes –
- i. overspending of the total amount appropriated in the municipality’s approved budget;
 - ii. overspending of the total amount appropriated for a vote in the approved budget;
 - iii. expenditure from a vote unrelated to the department or functional area covered by the vote;
 - iv. expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
 - v. spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” in the MFMA otherwise than in accordance with any conditions of the allocation; or a grant by the municipality otherwise than in accordance with the MFMA.
- (m) **“Vote” means** – One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department 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.
- (n) **UIF&W**, means Unauthorised, Irregular, Fruitless and Wasteful Expenditure

4. STRATEGIC INTENT

The strategic focus areas (SFA) of the BERGRIVIER Municipality are enshrined in the Bergrivier Municipalities Integrated Development Plan (IDP). This policy supports the following strategic focus areas.

- a. Opportunity Bergrivier Municipality
Provide and maintain economic and social infrastructure to ensure infrastructure-led growth and development.
- b. Well-run Bergrivier Municipality
Ensure financial prudence, with clean audits by the Auditor General.
- c. The underlying tenets of the Well-run Bergrivier Municipality are the principles of openness and due process. A well-run Bergrivier Municipality is the guarantor of all other government programmes. Citizens need to know that the government works for them, is accountable to them and answers to them at all times. Governments manage public resources and programmes, and as such, they must be constantly scrutinised in public to ensure responsible management.

5. LEGAL MANDATES AND REGULATORY FRAMEWORK

The following Laws and regulations, amongst others, inform this policy:

- a. Section 29 and Section 32 of the MFMA
- b. Sections 170 and 173 of the MFMA
- c. Regulations 23 and 74 of the NT Municipal Budget and Reporting Regulations
- d. Relevant GRAP standards
- e. MFMA Circular 68 of 2013

6. STRATEGIC POLICY OBJECTIVES

It is the strategic objectives of the policy to inter-alia achieve the following in respect of the administration of Bergrivier Municipality:

- a. Emphasizing the accountability of employees;
- b. Ensuring that employees have a clear and comprehensive understanding of the procedures they must follow when dealing with unauthorised, irregular or fruitless and wasteful expenditure;
- c. Ensuring that resources made available to employees are utilized efficiently, effectively, economically and for authorized official purposes;
- d. Ensuring that the Municipality's resources are managed in compliance with the MFMA, the Municipal Budget and Reporting Regulations and other relevant legislation; and
- e. Ensure that unauthorised, irregular or fruitless and wasteful expenditure is prevented, detected, processed, recorded, and reported timeously.

7. SCOPE OF THE POLICY

From a responsibility perspective, this policy is relevant to all employees and office bearers of the Municipality, whether full-time or part-time. It is, however, specifically applicable to the Council, Accounting Officer, Chief Financial Officer, Senior Managers, Officials and all employees with financial and fiduciary responsibilities, in particular, the aforementioned have a responsibility and have significant roles in:

- a. Identifying the identity of the person who is liable for unauthorised, irregular or fruitless and wasteful expenditure.
- b. Deciding on how to recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.
- c. Determining the amount of unauthorised, irregular or fruitless and wasteful expenditure to be recovered, written off or provided for.

8. ROLES AND RESPONSIBILITIES

- a. The Accounting Officer; the MFMA outlines the responsibilities of the Accounting Officer which include amongst others:
 - i. To exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure and must for this purpose implement effective, efficient and transparent processes of financial and risk management.
 - ii. To inform, in writing the Mayor, Section 32 Committee and Council, as the case may be, if a decision is taken which, if implemented, is likely to result in unauthorised, irregular fruitless and wasteful expenditure.
 - iii. On discovery of any unauthorised, irregular fruitless and wasteful expenditure to report promptly in writing, the particulars of the expenditure to the Mayoral Committee.
 - iv. In addition to the responsibilities set out in the MFMA, the Accounting Officer must annually facilitate the revision of the Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy;
 - v. Communicate and make this Policy accessible to all relevant stakeholders;
 - vi. Monitor and regularly report on the impact of the Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy.
 - vii. The Accounting Officer is also responsible for the interpretation and administration of the. Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy.
- b. Senior Management of the municipality have the following responsibilities in accordance with Section 78(1)(c) of the MFMA:
 - i. To prevent any unauthorised, irregular or fruitless and wasteful expenditure.
 - ii. In addition to the MFMA responsibilities, a Senior Manager and all officials tasked with financial responsibilities must communicate the contents of this policy to subordinate staff and ensure compliance therewith.
 - iii. Develop and enhance internal control measures on an ongoing basis to reduce the likelihood of UIF&W expenditure from being incurred.
 - iv. Senior and other Managers with financial responsibilities, must report all instances of UIF&W expenditure to the Accounting Officer without delay.
- c. Council and Public Office Bearers have the following responsibilities:
 - i. Councillors are required to familiarize themselves with this Policy's contents, make their constituencies aware of it and oversee its implementation by the officials and;
 - ii. To prevent any unauthorised, irregular or fruitless and wasteful expenditure.
 - iii. To approve and adopt the Unauthorized, irregular, fruitless and wasteful expenditure Policy.
 - iv. To comply with the contents of this policy.

9. DEALING WITH UNAUTHORISED EXPENDITURE

Essentially, “unauthorised expenditure” includes overspending on the total amount of the budget, overspending on a vote, the incurring of expenditure unrelated to a vote and the incurring of expenditure for a purpose other than the approved purpose.

A Directorate becoming aware of the need to incur unforeseen or unavoidable expenditure must immediately approach the Chief Financial Officer (CFO) with full details on the expenditure, providing information on the consequences of not incurring the expenditure as well as an indication of the expected cost (both for the current year as well as any recurring cost resulting from the event.

The following principles needs to be applied:

Principle 1: Confirmation of expenditure

Confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 72(2) of the Municipal Budget and Reporting Regulations (MBRR) must be given by the directorate when approaching the CFO.

Principle 2: Virement funds

The CFO will determine whether the cost cannot be dealt with through a process of virementing of funds within the relevant votes, if sufficient funds are available for shifting within the vote.

Principle 3: Approval of expenditure

The relevant Director will be required to submit a report to the Municipal Manager requesting approval thereafter from the Executive Mayor. If approval is granted, the adjustment will be effected on the financial system of the municipality.

Principle 4: Delays

The abovementioned process must be dealt with as a priority in order to ensure that administrative delays do not exacerbate the situation.

Principle 5: Submission of budget requests

A request for incorporation in an adjustment budget must be made from the relevant Department to the Budget office for incorporating the expenditure approved by the Mayor within 60 days from date of approval as per Section 28 of the MFMA.

a. Role players - The role players and stakeholders who will ensure that unauthorised, irregular, fruitless and wasteful expenditure is being dealt with according to legislative requirements and council processes are:

- i. The respective directorate / department who is responsible for preparing a report on the unforeseen and unavoidable expenditure when such expenditure occurs.
- ii. The Supply Chain Section/the legal department) who is responsible for reviewing the report in order to confirm legal compliance.
- iii. The Budget department who is responsible for confirming the financial implications.
- iv. The Mayor who is responsible for reviewing, approving and tabling the report at Council for noting.

b. Regulatory context and directive

Unforeseen and unavoidable expenditure (MFMA Section 29). The Mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

Any such expenditure;

- i. Must be in accordance with any framework that may be prescribed;
- ii. May not exceed a prescribed percentage of the approval annual budget;
- iii. Must be reported by the mayor to the municipal council at its next meetings; and
- iv. Must be appropriated in an adjustment budget.

If such adjustment budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and Section 32 of the MFMA applies.

Authorization of unforeseen and unavoidable expenditure (MBRR Section 71);

The mayor may authorize expenditure in terms of section 29 of the Act only if:

- i. The expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
- ii. The delay that will be caused pending approval of an adjustment budget by the municipal council in terms of section 28(2)(c) of the Act to authorize the expenditure may –
 - cause a disruption or suspension or serious threat to the continuation of municipal services.
 - lead to loss of life or serious injury or significant damage to property.
 - obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
 - result in significant financial loss for the Municipality.

The mayor of a municipality may not authorize expenditure in terms of section 29 of the Act if the expenditure:

- i. was considered by the council, but not approved in the annual budget of the municipality or an adjustments budget;
- ii. is required for:
 - price increases of goods or services during the year;
 - new municipal services or functions during the financial year;

- the extension of existing municipal services or functions during the financial year;
 - the appointment of personnel during the financial year; or
 - allocating discretionary appropriations to any vote during the financial year or
- iii. would contravene any existing council policy; or
 - iv. is intended to ratify irregular or fruitless and wasteful expenditure

c. Monetary limits on unforeseen and unavoidable expenditure, MBRR, Regulation 72

- i. The amount of expenditure that the executive mayor of a municipality may authorize in terms of section 29 of the Act is limited to –
- ii. 5% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget not exceeding R250 million;
- iii. the greater of R5 million or 4% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget greater than R250 million but not exceeding R500 million; and
- iv. R15 million in the case of a municipality with approved total revenue in its current annual budget greater than R500 million.

d. Process to deal with unauthorised expenditure

- i. Any employee who becomes aware of, or suspects the occurrence of unauthorised expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate.
- ii. On discovery of alleged unauthorised expenditure, such expenditure must be left in the account i.e. relevant vote and the Accounting Officer or his/her delegate should record the details of the expenditure in an unauthorised expenditure register. (Attached as "Annexure A".)
- iii. The accounting officer or his/her delegate must investigate the alleged unauthorised expenditure to determine whether the expenditure meets the definition of unauthorised expenditure.
- iv. During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.
- v. Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute unauthorised expenditure the details of the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation.

- vi. If the investigation indicates that the expenditure is in fact unauthorised expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the Mayor.
- vii. If Council subsequently authorises the unauthorised expenditure, the municipality requires no further action as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the unauthorised expenditure was condoned.
- viii. If however, the Council does not authorise the amount, the accounting officer must take effective and appropriate action to recover the amount from the responsible person.

e. Process to authorise unauthorised expenditure

In considering approval of unauthorised expenditure, Council must consider the following factors:

- i. Has the matter been referred to Council for a determination and decision?
- ii. Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- iii. Has the incident been referred to a Council committee for investigation and recommendations?
- iv. Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorized the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- v. Has the accounting officer informed Council, the mayor or the Section 32 committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?
- vi. Are there good grounds shown as to why an unauthorised expenditure should be approved? For example:
 - the mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure;
 - the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
 - the municipality has not suffered any material loss as a result of the action.

In these instances, the Council may authorize the unauthorised expenditure. If unauthorised expenditure is approved by Council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

vii. Adjustments budgets to approve unauthorised expenditure:

Council may only approve unauthorized expenditure in an adjustments budget.

This can be addressed in three different adjustments budgets as follows:

1) Adjustments budget for unforeseen and unavoidable expenditure:

An adjustments budget to allow Council to provide ex post authorization for unforeseen and unavoidable expenditure that was authorized by the mayor in terms of section 29 of the MFMA must be tabled in Council at the “first available opportunity” or within the 60 days after the expenditure was made. Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure, and may still be authorized in one of the other adjustments budgets process described below.

2) Main adjustments budget:

Council may approve unauthorized expenditure in the adjustments budget which may be tabled in Council “at any time after the mid-year budget and performance assessment has been tabled in the Council, but not later than 28 February of the current year”. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.

3) Special adjustments budget to approve unauthorized expenditure:

Council may approve unauthorized expenditure in a special adjustments budget tabled in Council when the mayor tables the annual report. This special adjustments budget “may only deal with unauthorised expenditure from the previous financial year which the Council is being requested to authorize in terms of section 32(2)(a)(i) of the Act.”

f. Recovery of Unauthorised expenditure

All instances of unauthorised expenditure must be recovered from the liable official or political office-bearer, unless the unauthorised expenditure has been authorized by Council in an adjustment budget.

- i. The Accounting Officer (or his/her delegate) must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation.
- ii. The Accounting Officer (or his/her delegate) must in writing request that the liable official or political office-bearer to pay the amount relating to such unauthorised expenditure within 30 days. If the person/s fails to comply with the request, the matter may be handed to the municipality’s legal division for the recovery of the debt through normal debt collection process

10. DEALING WITH IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is incurred and is in contravention with the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy or system of Delegation.

a. Categories of irregular expenditure

In considering irregular expenditure, it is important to take note of the following categories of Irregular expenditure:

- i. Irregular Expenditure incurred as a result of a non-compliance with a Treasury regulation, the MFMA and the Supply Chain Management Policy.

Example:

Procuring of goods or services by means of quotations where the value of the goods/services exceed the set threshold as determined in the SCM policy for a specific procurement process to be followed. i.e. a written quotation process was followed instead of a formal quotation process.

- ii. Irregular Expenditure incurred as a result of procuring goods or services by means of other than through competitive bids where the reason for deviating from the prescribed processes have not been recorded or approved in terms of section 17 of the SCM regulations.
- iii. Irregular Expenditure resulting from non-adherence to the delegation of authority as approved, i.e. a procurement process was signed off by the incorrect level of authority.
- iv. Irregular Expenditure incurred as a result of expenditure outside contracts or contracts expired and not renewed or extended in terms of MFMA section 116.

b. Procedures for dealing with and the condonation of irregular expenditure.

As part of the enclosed procedures (Annexure B), provision is made for accounting officers to forward submissions to the Provincial Treasury or the relevant authority to request condonation for non-compliance with the MFMA or other legislation respectively. The treasury to which the submission must be forwarded will depend on the provision that was contravened. It must, however, be emphasized that submissions requesting condonation for non-compliance must contain detailed motivation as to why the irregular expenditure in question

should be considered for condonation, together with steps that have been taken to avoid a recurrence of this type of irregular expenditure.

- i. Any employee who becomes aware of, or suspects the occurrence of irregular expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegated authority.
- ii. On discovery of the alleged irregular expenditure, such expenditure must be left in the account i.e. relevant vote and the Accounting Officer or his/her delegate should record the details of the expenditure in an irregular expenditure register. (Attached as "Annexure A".)
- iii. The accounting officer or his/her delegate must investigate the alleged irregular expenditure to determine whether the expenditure meets the definition of irregular expenditure.
- iv. During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.
- v. During the investigation, consideration must be given to the following:
 - Has anyone been prejudiced through the incurrence of the expenditure
 - Was there an intent to circumvent specific SCM processes
 - Has anyone received an unfair advantage or benefit from the procurement of the goods or services.
 - Was there negligence from any official in the process
 - Did the municipality receive value for money in the procurement
- vi. Should the investigation reveal that the expenditure is in fact not irregular by nature, the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation. The expenditure will not be disclosed as irregular once the investigation has concluded that it was in fact a regular procurement.
- vii. If the investigation indicates that the expenditure is in fact irregular expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the Mayor.
- viii. If Council subsequently writes off the expenditure, the municipality requires no further action as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the irregular expenditure was written off.
- ix. If however, the Council does not write off the amount, the accounting officer must take effective and appropriate action to recover the amount from the responsible person.

- x. The register must be updated to reflect that the irregular expenditure was written off and the notes to the annual financial statements must also be updated to reflect the writing off of the irregular expenditure.
 - xi. In instances where approval is not granted for the writing off of irregular expenditure, immediate steps must be taken to recover such expenditure from the relevant person, if he/she is liable in law.
- c. Recovery of Irregular expenditure

All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the irregular expenditure has been certified by the Municipal Council as irrecoverable, and that no official or office bearer can be held liable, and the Council has granted approval for it to be written off.

- i. The Accounting Officer (or his/her delegate) must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation.
- ii. The Accounting Officer (or his/her delegate) must in writing request that the liable official or political office-bearer to pay the amount relating to such irregular expenditure within 30 days. If the person/s fails to comply with the request, the matter must dealt with by means of normal debt collection procedures.

11. DEALING WITH FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure can arise from a range of events, activities and actions varying from a simple oversight in performing an administrative task to a deliberate and/or an intentional transgression of relevant laws and regulations.

It is of essence to consider the definition of “Fruitless and Wasteful Expenditure” when a conclusion is made whether the expenditure can be regarded as such.

Fruitless and wasteful expenditure is defined as expenditure made in vain and which could have been avoided, had reasonable care being taken.

It seems that the most logical approach to address assess whether or not expenditure can be classified as fruitless and wasteful expenditure is to ask a few elementary questions prior to the spending of municipal funds such as:

- a. Determining whether the expenditure meets the definition of fruitless and wasteful expenditure;

- i. Did the intended spending relate to the formal powers of the municipality?

A municipality may perform only those functions and powers conferred to it by the Constitution and relevant legislation. Any expenditure incurred relating to an Act or any action conducted or exercised outside those functions and powers will result in fruitless and wasteful expenditure notwithstanding whether sufficient provision has been made on the budget and correct procedures were followed in incurring the expenditure.

- ii. Would the expenditure further the interest of the municipality?

The expenditure incurred to obtain a service, inventory, and asset or to render a service, etc. must have been necessary and ideally unavoidable to enable the Municipality to exercise its functions and powers in accordance with the relevant legislation.

- iii. Was it essential to incur the intended expenditure?

It is of paramount importance to incur expenditure only when it is really necessary or essential for purposes as mentioned above. One should be satisfied that non incurrence of such expenditure will have a negative impact on the lawful activities of the Municipality.

- iv. Was any other option perhaps available to prevent the intended expenditure or to reduce it?

This question overlaps to some extent with question above but it is more specific in the sense that it put pressure on the Municipality to apply its mind and to consider all possible options. Should it appear after the expenditure has been incurred that a more effective and perhaps a less expensive option was at the disposal of the Municipality but that it was ignored or disregarded without good cause the expense will be regarded as fruitless and wasteful.

b. Process to deal with fruitless and wasteful expenditure

- i. Any official who becomes aware of or suspects the occurrence of fruitless and wasteful expenditure should immediately report in writing, the particulars of such expenditure which are within his or her knowledge, to the Accounting Officer or his or her delegate;

- ii. Once the Accounting Officer or his or her delegate has received the report alleging the occurrence of fruitless and wasteful expenditure, the details of such expenditure must be recorded in a register for irregular or fruitless and wasteful expenditure.

- iii. The Accounting Officer or his or her delegate should investigate the alleged fruitless and wasteful expenditure to determine whether the expenditure meets the definition of irregular or fruitless and wasteful expenditure;

- iv. For accounting records purposes, during the investigation, the expenditure must remain in the expense account i.e. the vote of the department within

the municipality. The results of the investigation will determine the appropriate action to be taken regarding such expenditure. Should the investigation reveal that the expenditure is not fruitless and wasteful expenditure as defined; the details of the expenditure should be retained in the register for record purposes and to provide a full audit trail. The register must be updated to reflect the outcome of the investigation. The accounting records will not disclose any record of the transaction if the investigation finds that the expenditure was not fruitless and wasteful by nature.

- v. Should the investigation reveal that the expenditure is fruitless and wasteful expenditure as defined above, the Accounting Officer must immediately report, in writing, the particulars of such expenditure to the Mayor. The register must be updated to reflect the outcome of the investigation;
 - vi. The Accounting Officer must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to Council in terms of the MFMA; and
 - vii. For accounting records purposes, the fruitless and wasteful expenditure must be treated as an asset (debtor) in the books of the municipality until such time as the expenditure is recovered from the responsible person or certified by Council as irrecoverable and written off in the Annual Financial Statements.
- c. Recovery of fruitless expenditure

All instances of fruitless and wasteful expenditure must be recovered from the liable official or political office-bearer, unless the expenditure has been certified by the Municipal Council as irrecoverable, and that no official or office bearer can be held liable, and the Council has granted approval for it to be written off.

- i. The Accounting Officer (or his/her delegate) must determine who the responsible party is from whom the amount should be recovered. This information would normally become evident while performing the investigation and a subsequent disciplinary process where applicable.
- ii. The Accounting Officer (or his/her delegate) must request in writing that the liable official or political office-bearer to pay the amount relating to such fruitless and wasteful expenditure within 30 days. If the person/s fails to comply with the request, the matter must dealt with by means of normal debt collection procedures.

12. ROLE OF THE COUNCIL INVESTIGATION COMMITTEE

In terms of section 74 of the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April, 2009, a Council committee

appointed to investigate the recoverability of any unauthorised, irregular or fruitless and wasteful expenditure must consider:

- i. the measures already taken to recover such expenditure;
- ii. the cost of the measures already taken to recover such expenditure;
- iii. the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
- iv. submit a motivation explaining its recommendation to the Council for a final decision.

The accounting officer must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.

The committee cannot finally dispose of any matter referred to it and it must therefore provide the Municipal Council with a clear recommendation of how to finally deal with the matter brought before it. Council should consider the matter and resolve to either authorise unauthorised expenditure or write-off irregular or fruitless and wasteful expenditure.

13. INVESTIGATION AND DISCIPLINARY ACTION

In terms of sections 172 and 173 of the MFMA, an Accounting Officer is guilty of financial misconduct and an offence respectively if he or she:

- a) wilfully or negligently fails to take effective and appropriate steps to prevent unauthorised, irregular or fruitless and wasteful expenditure as required by the MFMA;
- b) fails to take effective and appropriate disciplinary steps against an official in the department who makes or permits unauthorised, irregular or fruitless and wasteful expenditure; and
- c) Fails to report unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA.

As soon as the accounting officer becomes aware of an allegation of financial misconduct against an official, the Accounting Officer has a responsibility to ensure that the Mayor initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts of the applicable legislation.

In terms of section 172 of the MFMA, an official of a department to whom a duty or power has been assigned commits an act of financial misconduct if that official will fully or negligently fails to perform that duty or exercise that power in line with applicable legislation.

In terms of the MFMA, the accounting officer must take appropriate and effective disciplinary steps against an official who makes or permits unauthorised, irregular or fruitless and wasteful expenditure.

When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of applicable legislation, he or she must take into account the following:

- I. circumstances of the transgression;
- II. extent of the expenditure involved; and
- III. nature and seriousness of the transgression.

d) Ratification of minor breaches of the procurement process

The accounting officer may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which **are purely technical in nature** provided that this provision is included in the municipality's supply chain management policy and the official or committee who committed the breach had the delegated authority to perform the function.

e) Disciplinary charges for Irregular or Fruitless and Wasteful Expenditure

If, after having followed a proper investigation, the Council concludes that the political office-bearer or official responsible for making, permitting or authorizing irregular expenditure did not act in good faith, then the municipality must consider instituting disciplinary action and/or criminal charges against the liable person/s.

If the irregular expenditure falls within the ambit of the above description, then the Council, mayor or accounting officer (as may be relevant) must institute disciplinary action as follows:

f) Financial misconduct in terms of section 171 of the MFMA:

- I. in the case of an official that deliberately or negligently: contravened a provision of the MFMA which resulted in irregular expenditure;
- II. or made, permitted or authorized an irregular expenditure (due to noncompliance with any of legislation mentioned in the definition of irregular expenditure);

g) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code; and

h) Breach of the Code of Conduct for Councillors: in the case of a political office bearer, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the code. This would also include instances where a Councillor knowingly voted in favour or agreed with a resolution before Council that contravened legislation resulting in irregular expenditure when implemented, or where the political office-bearer improperly interfered in the management or administration of the municipality.

- i) Criminal charges arising from an act of Irregular or Fruitless and Wasteful expenditure:
 - I. If, after following a proper investigation, the Council concludes that the official or political office-bearer responsible for making, permitting or authorising an instance of irregular expenditure acted deliberately or negligently, then the Council must institute disciplinary procedures and lay criminal charges against the liable official or political office-bearer.

14. RECOVERY OF UIF&W EXPENDITURE

Notwithstanding the disciplinary process, the accounting officer must identify the official who is responsible for the unauthorised, irregular or fruitless and wasteful expenditure.

The relevant information would normally be evident from the investigation process.

The amount of the expenditure should be recovered from the official concerned by taking the following steps:

- a) The accounting officer must write to the official concerned and request him or her to pay the amount within 30 days or in reasonable instalments.
- b) Reasonable instalments will vary from case to case depending on such factors as the total amount involved and the affordability level of the official concerned.
- c) The accounting officer is expected to apply his or her discretion judiciously.
 - i. Should the official refuse or fail to pay as requested, the matter may be referred to an attorney for recovery.
 - ii. If the amount is not recoverable, the accounting officer may request Council to certify the debt as irrecoverable and write it off in terms of the municipal adopted policy.
 - iii. All instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified by the municipal Council, after investigation by a Council committee, as irrecoverable and is written off by the Council.
 - iv. Irregular expenditures resulting from breaches of the Public Office-Bearers Act is an exception in that the irregular expenditure must be recovered from the political office-bearer to

whom it was paid, who might not have been responsible for making, permitting or authorizing the irregular expenditure.

- v. Once it has been established who is liable for the irregular expenditure, the accounting officer must in writing request that the liable political office-bearer or official pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be recovered through the normal debt collection process of the municipality.

15. REPORTING OF UIF&W EXPENDITURE

The accounting officer must comply with the following reporting requirements:
Completion of the register monthly.

- a. Immediately upon discovery of unauthorised, irregular or fruitless, and wasteful expenditure, the accounting officer must report the details of the unauthorised, irregular or fruitless, and wasteful expenditure to the Mayor.

The report must include the following details:

- i. amount of the unauthorised, irregular or fruitless and wasteful expenditure;
 - ii. description of the vote from which the expenditure was made;
 - iii. reason why the unauthorised, irregular or fruitless and wasteful expenditure could not be avoided;
 - iv. name and title of the responsible official;
 - v. details of any recovery steps taken or to be taken by the municipality; and
 - vi. details of any disciplinary steps taken or to be taken by the municipality.
- b. The Accounting officer must comply with all the reporting requirements contained in Section 32 of the MFMA, including a report to the Auditor-General, The MEC for Local Government as well as reporting the matter to the SAPS if necessary.
 - c. The accounting officer must also include the expenditure in the relevant department's monthly revenue and expenditure report submitted to the Council in terms of the MFMA.
 - d. All unauthorised, irregular or fruitless and wasteful expenditure must be reported as a note to the annual financial statements.
 - e. The Accounting Officer must record the reasons for any deviations in terms of SCM regulations and report to the next Council meeting and disclose this expenditure in a note to the annual financial statements.

16. REGISTER FOR REPORTING

Register of Unauthorized, Irregular, Fruitless and Wasteful Expenditure																			
No	Date of discovery	Date Reported to Accounting Officer	Transaction details				Person Liable (Official or Political Office Bearer)	Approved or recovered	Statu s										
			Date of	Payment Number	Amount	Description of Incident			IRR	UI	DP	CC	TR	P	WO	FW	U	Condoned Section 32 Committee	General comments
1																			
2																			
3																			
5																			
6																			

Description of codes

UI	Irregular expenditure Under Investigation
WO:	Written-off by council as irrecoverable
DP:	Disciplinary process initiated against responsible person
CC:	Criminal charges laid with SAPS
U	Unauthorized
TR	Transferred to receivables for recovery
FW	Fruitless and Wasteful
IRR	Irregular Expenditure
P	Paid or in process of paying instalments



17. CLASSIFICATION TABLE

Governance table	
Title	Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy
File Number	
Related Policies or Procedures	System of delegation
	SCM Policy
	Debt Collection and Credit Policy
	Budgets and Medium Term
	Revenue and Expenditure Framework
	Code of Conduct
Responsible Person	Accounting Officer
Original Author	N Bothma/F M Lötter
Date approved by Council	
Council Minute Number	
Effective date (After Council Approval of Policy)	
Last Review date	
Review Date	

18. CRIMINAL SANCTIONS

1. Councillors and officials of the municipality are also subject to criminal sanctions if they:-

Section	Offence
79	Deliberately or in a grossly negligent* way contravene or fail to comply with a condition of a delegation of power
173(5)(a)	Deliberately or in a grossly negligent way impede an accounting officer from complying with a provision of the Act.
173(5)(b)	Deliberately or in a grossly negligent way give incorrect, untrue or misleading information material to an investment decision relating to borrowing by the Municipality.
173(5)(b)	Illegally withdraw money from a municipal bank account.
173(5)(d)	Fail to disclose material information when the municipality borrows money.
173(5)(e)	Interfere in the supply chain management system.
173(5)(f)	Provide false or misleading information for the purposes of any document which must in terms of a requirement of the Act be submitted to the council, mayor or accounting officer, the Auditor-General, the National Treasury or be made public.

Gross negligence is a conscious and voluntary disregard of the need to use reasonable care, which is likely to cause foreseeable grave injury or harm to persons, property, or both. It is conduct that is extreme when compared with ordinary negligence, which is a mere failure to exercise reasonable care

19. CIVIL LIABILITY

Should an investigation find that an official, senior manager, accounting officer or a public office bearer acted in a way that was malicious, grossly negligent or that intentionally caused a financial loss or distress to the municipality, its assets and its resources, such a person may be held personally liable for the financial loss suffered by the Municipality and the accounting officer is authorised to recover the loss from the person through legal or other means necessary to recover the loss.

20. REGULAR REVIEW OF THE REGISTER

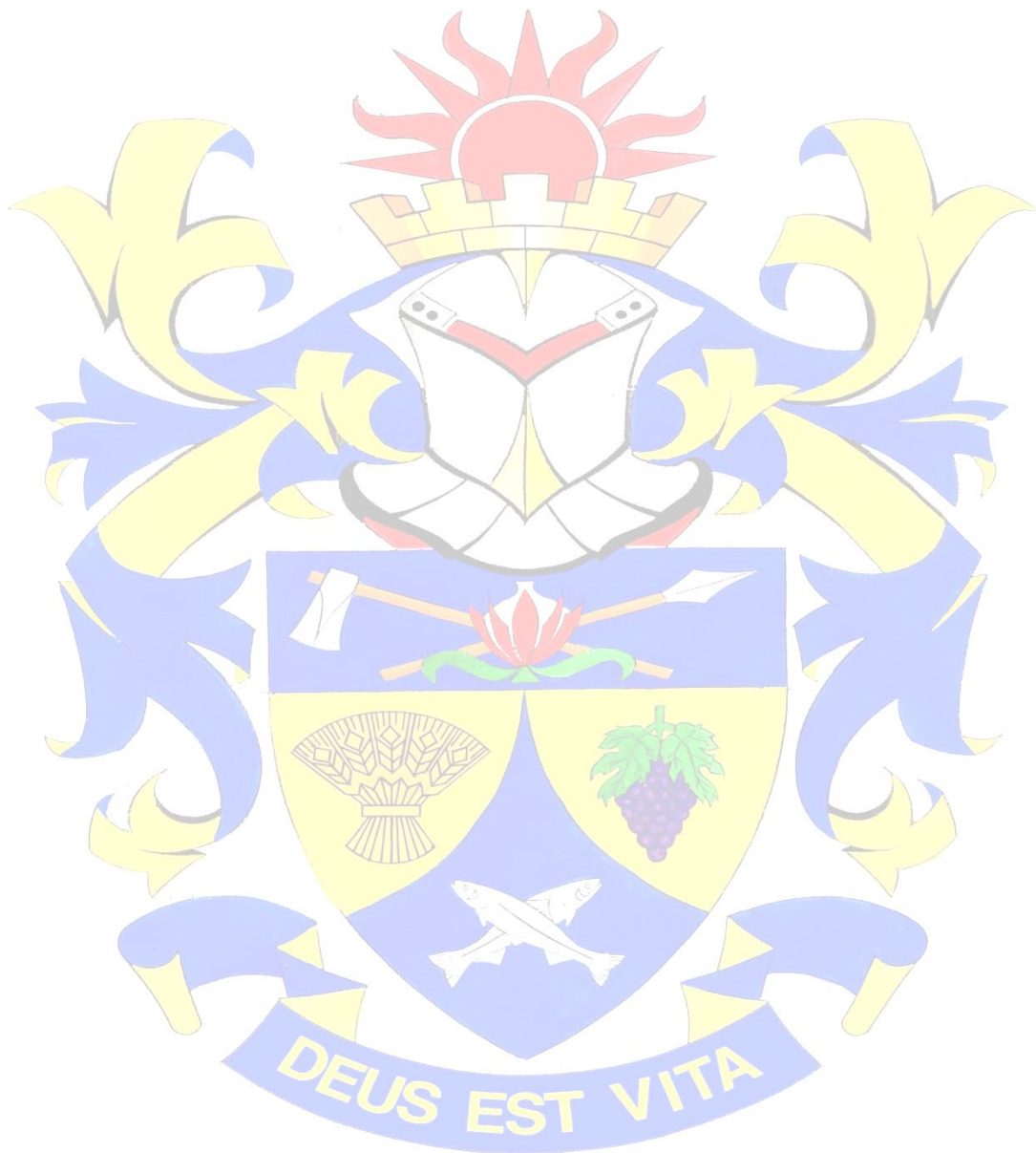
The unauthorised, irregular or fruitless and wasteful expenditure register should be reviewed on a quarterly basis by the chief financial officer of the municipality. This review will ensure that unauthorised, irregular or fruitless and wasteful expenditure are adequately disclosed, dealt with, recorded and that no mathematical errors exists.

21.ACCOUNTING TREATMENT

- a. Unauthorised, irregular or fruitless and wasteful expenditure identified during one financial period, but not paid in the specific period should be recorded in the following financial year.
- b. The cumulative unauthorised, irregular or fruitless and wasteful expenditure incurred at financial year end should be adequately and appropriately disclosed in the financial statements of the municipality.
- c. Recognition and measurement of unauthorised, irregular or fruitless and wasteful expenditure shall be treated in terms of the latest available guidelines for the compilation of the Annual Financial Statements issued to municipalities by National Treasury on an annual basis and be in line with the latest GRAP requirements.
- d. Disclosure of unauthorised, irregular or fruitless and wasteful expenditure
- e. MFMA section 125 require accounting officers and accounting authorities to disclose in the notes to the Annual Financial Statements of the municipality particulars of any material unauthorised, irregular or fruitless and wasteful expenditure incurred during the financial year.
- f. Particulars of any criminal or disciplinary steps taken as a result of such unauthorised, irregular or fruitless and wasteful expenditures should be disclosed in the notes to the Annual Financial Statements.

BERGRIVIER

Munisipaliteit / Municipality



WRITING-OFF OF IRRECOVERABLE DEBT POLICY

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1. INTRODUCTION

- 1.1 To ensure that household consumers with no or little income are not denied reasonable basic services and that the municipality is not financially burdened with non-payment of these basic services, the Council of Bergrivier Municipality approved policies on property rates, tariffs, customer care, credit control, debt collection and indigent support to be implemented.
- 1.2 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible writing-off of irrecoverable debt.
- 1.3 The Municipal Manager must ensure that all avenues are utilized to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000), such as –
 - 1.3.1 The insolvency of a debtor whose estate has insufficient funds;
 - 1.3.2 A balance being too small to recover, for economic reasons, considering the cost of recovery; and
 - 1.3.3 Where Council deems that a customer or group of customers are unable to pay for services rendered.
- 1.4 The municipality will have to maintain audit trails in such instances where bad debt is written-off and document the reasons for the abandonment of the actions or claims in respect of the bad debt.

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalized to ensure that consumers (especially households) are relieved of their spiral of debt.

3. RESPONSIBILITY AND ACCOUNTABILITY

- 3.1 The Council has the overall responsibility and accountability for adopting and approving the Writing-Off of Irrecoverable Debt Policy.

4. POLICY PRINCIPLES

- 4.1 The following are the guiding principles for the implementing of the Writing-Off of Irrecoverable Debt Policy –
- 4.1.1 The policy will comply with the Local Government: Municipal Finance Management Act (No 56 of 2003), the Local Government: Municipal System Act (No 32 of 2000) and other related legislation.
- 4.1.2 Before any debt is written-off it must be proved that the debt has become irrecoverable. To ensure that recommendations for the writing-off of debt are consistent and accurate; irrecoverable debt will be defined as :
- (a) Where the tracing of the debtors is unsuccessful;
 - (b) All reasonable steps, in terms of the Writing-Off of Irrecoverable Debt Policy and credit control policy, were taken by the administration to recover the debt; and
 - (c) Any debt defined by the Municipal Manager at his/her discretion as irrecoverable.
- 4.1.3 Bad debt to be written-off must be considered in terms of cost benefit.
- 4.1.4 Therefore, when it becomes too costly to recover and the chances of collecting the debt are very slim, a write-off should be considered.
- 4.1.5 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.
- 4.1.6 Differentiation must be made between those household consumers who cannot afford to pay for basic services (indigent households) and those who just do not want to pay for basic services.
- 4.1.7 Debt can only be written-off if the required provision for bad debts exists in the municipality's budget and/or reserves.

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR WRITING-OFF OF IRRECOVERABLE DEBT

5.1 Indigent household consumers

5.1.1 Upon approval for registration as an indigent household consumer, the debtor's outstanding balance as at the date of approval will be written-off.

5.1.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written-off and must be dealt with strictly in accordance with the municipality's customer care, credit control and debt collection policies. Therefore, these arrears can only accumulate for –

- (a) The kiloliters of water consumed or to be consumed above the 6 kiloliters of free water per month by an indigent household who has an installed conventional water meter; and
- (b) Excess rates payable on the market value of a residential property that are not exempted from paying property rates and that does not qualify for a 100% indigent subsidy in terms of Council's property rates policy.

5.2 Small balances

5.2.1 Where final accounts have been submitted and paid by the respective consumer, and the remaining balance after finalisation of any final readings, other administrative costs and consumer deposits taken into consideration results in a balance of one thousand rand (R 1,000) or less, or the amount determined by Council from time to time during the budget approval process, such amount must be written-off with the proviso that:

- (a) When the balance amounts to R 300 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer for payment;
- (b) When the balance amounts to R 600 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder for payment;
- (c) When the balance amounts to R 1,000 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment.

5.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days, such amounts will automatically be written-off.

5.3 Insolvent debtors and insolvent deceased estates

5.3.1 Where a debtor becomes insolvent the municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds must be written off subject to the provisions of paragraph 5.5 below.

5.3.2 In case of the death of a debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds must be written off subject to the provisions of paragraph 5.5 below.

5.4 Untraceable debtors

5.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such an account must be handed over to a collection agent for recovery of the debt (paragraph 5.2 cases excluded). The collection agent will be paid an all-inclusive fee of not more than 10% of the amount that was collected. The terms of reference for such a collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the municipality on the actions that were taken to attempt to trace the debtor.

5.4.2 Any amount owed by a debtor that has become untraceable may be sold to a debt collection agent at a discount.

5.4.3 If any debt written off in terms of paragraph 5.4.2 above, it will automatically result in the debtor being reported to a credit bureau by the municipality.

5.5 Clearance certificates

5.5.1 In terms of section 118 of the Local Government: Municipal Systems Act, Bergrivier Municipality may not issue a clearance certificate on any property unless all outstanding amounts that became due during the two years preceding the date of application are paid to date. However, outstanding debt older than two years have accumulated over a period of time and it may not be within the ability of the current owner or prospective new owner to pay such an amount in order to obtain a clearance certificate.

- 5.5.2 Where such circumstances may prevail, the current owner or prospective new owner may apply to the municipality for relief of such outstanding debt or a portion thereof.
- 5.5.3 Such application, upon receiving, must be submitted to the Municipal Manager for consideration. In reviewing such application, the Municipal Manager must ensure that:
- (a) All reasonable measures have already been taken to recover the outstanding amount from the current debtor;
 - (b) The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued; and
 - (c) It is not in the interest of the municipality and/or the community to withhold a clearance certificate before the outstanding debt is fully paid.

6. DELEGATIONS

- 6.1 The Municipal Manager shall have delegated authority to approve all write-offs in terms of and within the parameters of this policy after consultation with the Chief Financial Officer.
- 6.1.1 All write-offs in terms of 6.1 above must be reported quarterly to the Executive Mayoral Committee.

7. REPORTING AND DISCLOSURE

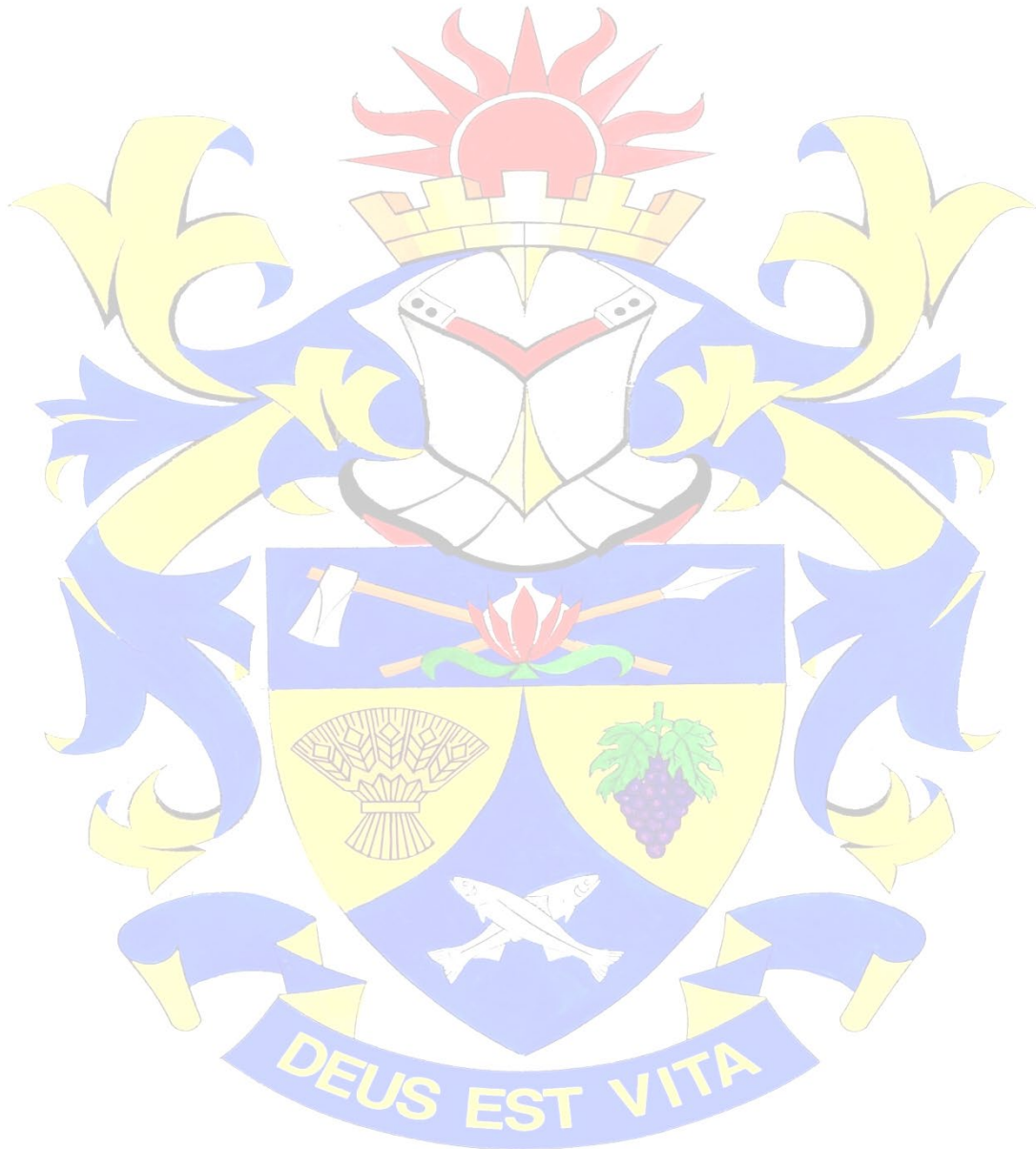
- 7.1 The Chief Financial Officer will disclose the total amount of irrecoverable debt written-off as a note in the annual financial statements of the municipality.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 8.1 This policy shall be implemented once approved by Council. All future submissions for the writing-off of debt must be considered in accordance with this policy.
- 8.2 The policy will be reviewed each year as part of the budget approval process.

BERGRIVIER

Munisipaliteit / Municipality



INVENTORY MANAGEMENT AND SOP POLICY 2024/2025

INVENTORY/ STOCK PROCEDURES MANUAL

Of Bergrivier Municipality

1. INTRODUCTION

1.1 This manual has been designed to assist the management and employees of **Bergrivier Municipality (BM)** with the description of financial procedures of inventory/stock and the capacity to differentiate between activities which are acceptable in terms of general authorisation, supervisory responsibilities and limits of authority relating to the financial functions of the organization.

1.2 The manual will provide certainty with respect to the handling of financial procedures of inventory/stock undertaken within the organisation and will ensure that management and employees understand their respective responsibilities and duties.

1.3 This manual replaces/supersedes all financial inventory/stock procedure instructions and memoranda that have been previously issued.

1.4 This inventory/stock manual should be read in conjunction with the financial policies Supply Chain Management and Cash Management and Investment Policy, which should be achieved through the implementation of the detailed procedures as detailed in this manual.

2. OBJECTIVES

2.1 This manual is intended to define and formalize the stores inventory/stock procedures of Bergrivier Municipality.

2.2 The objectives of this document include the following:

- To safeguard the inventory/stock of **BM** and to ensure the effective use of existing resources.
- To emphasis a culture of accountability over **BM** inventory/stock.
- To control the operational risks to which **BM** is exposed.
- To ensure that effective controls are communicated to the management and staff through clear and comprehensive written documentation.
- To provide a formal set of financial procedures of inventory/stock, which can be implemented to ensure **BM** financial policies are achieved.

3. DEPARTURES FROM FORMAL PROCEDURES

3.1 Any departures from the approved procedures stated in this manual will require the prior written approval from the following body:

- Municipal council / Executive Mayoral Committee

4. CHANGES TO PROCEDURES MANUAL

4.1 It is absolutely critical that all changes made to the inventory/stock manual are properly and timeously communicated to all relevant persons within the organisation.

4.2 The following steps will be applicable for the control and change management of the manual:

- A manual copy of procedure is to be maintained at each Department, which records the latest versions of manuals currently in use.
- It is the responsibility of all employees to ensure that they have the latest copy of the manual should they wish to obtain information about inventory policy or procedure.
- Assistant Accountant Assets will maintain an updated version of manual on municipal website.
- The use of photocopied manuals is strictly forbidden as this increases the risk of incorrect versions of the manual being used.
- All recommended changes or requests for changes must be recorded on a memo form, which would detail the suggested changes together with the reasons/motivation for such changes. The memo must be authorised by the appropriate Director.
- Memo forms should be sent to the Assistant Accountant Assets /Stores Supervisor in order to effect any changes if they are approved.
- Approved changes are authorized by Municipal Council /Executive Mayoral Committee.
- Any changes made will result in the manual being re-updated in its entirety. This will avoid changes being made on the manual itself or the need to replace specific pages.
- Once the procedures has been changed and a new version on the municipal webpage, the custodian is responsible for informing all personnel of amendments and updates calling all previous versions of the manuals to be destroyed.

4.3 These procedures are to be applied in conjunction with the Approved Delegated Authority Framework and any other formal instructions from the Municipal Manager that may arise from time to time. These instructions will generally be of a short-term nature. Instructions, which affect long term operating procedure, will be incorporated into the relevant policies and procedures manuals.

5. DELEGATION OF AUTHORITY

5.1 As much autonomy and devolution of powers as are possible and practicable are given to individual departments in terms of the Approved Delegated Authority Framework.

5.2 Full responsibility for internal control within the stores rests with the Accounting Officer who should ensure that appropriate and adequate arrangements exist within the stores to safeguard all inventory, that policies including these financial policies, procedures and guidelines are complied with and that records are maintained in as complete and accurate manner.

5.3 In particular the Accounting Officer or his delegate should ensure wherever possible that the duties of their staff are segregated, so that more than one member of staff records and processes a complete transaction, e.g. for the receipt, recording and updating of transactions in the financial system or for the placing of orders, receipt of goods, approval of payment for invoices in settlement of suppliers accounts.

5.4 Where limited resources allow for little or no segregation of duties, it is incumbent upon the Chief Financial Officer to ensure that adequate procedures for regular independent checks of financial transactions are in place.

5.5 Advice on recommended internal control procedures and interpretation of this document may be obtained from internal and external auditors.

5.6 It is the responsibility of the CFO or his delegate to ensure that all transactions that take place within the stores unit has been properly authorised in line with the Approved Delegated Authority Framework.

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1. INTRODUCTION

1.1 Some of the areas that need to be addressed during the course of the cycle are the monitoring of the utilization of resources in terms of the supply chain management plan.

1.2 The investment in stock should be minimised and the valuation of stock closely monitored.

1.3 The security of stock is a high-risk area and needs to be closely controlled.

1.4 These stock issue procedures cover the issue of stock from **Bergrivier Municipality** stores to departments both during and after normal working hours and the replenishment of store-items.

1.5 For Inventory purchased from external suppliers refer to the SCM policy.

1.6 Typically, the stores houses stock of the following nature:

- Consumables
- Buildings materials
- Electrical Cables
- Electrical & Civil Engineering department spares

1.7 Stock is fairly valued at weighted average cost.

1.7.1 The method for issuance of physical stock is the first in first out basis "FIFO" or on special occasions, as determined by the Storeman, last in first out "LIFO".

1.7.2 All issues are done at average cost of items on the Phoenix Vesta financial system.

2. STOCK ISSUES

2.1 On-Line Issues

2.1.1 Stock items, kept in the **BM** store are requisitioned by means of an electronic stock requisition on the Phoenix Vesta Financial System during normal working hours. Detailing the following:

- Description of the products and product code.
- Quantity required of each product.
- Vote number.

- Name of requestor.
- Date.
- Reason for request.

2.1.2 Non-stock items are purchased via the Supply Chain Management Process for direct consumption by a Department. These items are ordered by means of a electronic non-stock requisition after approval by the Approved Delegated Authority Framework. Stores must have available a list of approved authorized signatories that reflect the Approved Delegated Authority Framework.

2.1.3 The requisitioned, after establishing that the required product are held by the store, completes an on-line stock requisition, to obtain items from the stores.

2.1.4 The store's personnel clear the requests using the Phoenix Vesta Financial System to check for any budget restrictions .If there is sufficient funds available, the issue is approved. If there is not sufficient funds available for the transaction, the requisition is rejected by the stores personnel and returned to the requestor. The requestor should then provide the correct or an alternative vote number, with the necessary available funds before the stock issue can be done.

2.1.5 The electronic requisition are printed in the stores and is used by the stores personnel to collect the materials from the shelves. The stores personnel checks the goods against the stock requisition and verifies that the correct items and quantities are issued.

2.1.6 Upon handing over the requested stock and quantities, to the requestor or the delegated official of the requestor the stores personnel inscribe the items description,quantity,date ,vote-number into his store issue book.

2.1.7 The stores personnel houses the requested stock items as per the stock requisition to be collected by the requestor or his delegate.

2.1.8 The end user at the relevant department is notified, that the stock is ready for collection.

2.1.9 In incidences where the end user is not available, a delegated person is appointed by the end user for collection.Items are handed over to the authorized collector and stock are signed for by the person who takes ownership of it.

2.1.10The collector ensures that the physical quantity and description of the materials issued matches the stock requisition signs the stock requisition book as acknowledgment of receipt.

2.1.11 the stores personnel completes the stock requisition book as evidence of his issuing the goods. The stock issued are manually updated on the stores bin cards. The white copy of the stores issue book are batched on a daily basis and the stores personnel capture the transactions online on the Phoenix Vesta Financial system,

2.1.12 the store's personnel completes the requisition and submits it electronically into the system. The requestor receives confirmation that the stock items requested, have been issued and received.

2.1.13 The stores personnel generates a report which indicates transactions captured .The stores personnel verifies that all the transactions were correctly allocated against the correct item codes, vote numbers , quantities and signs the report, files it for future auditing purposes.

2.1.14 At month end a detailed list of all requisitions issued against a department is forwarded to the Head of the different Departments for his verification of validity and accuracy.

2.2 Manual Stock Issues

2.2.1 If the financial system is off-line, a manual system is adopted. A manual stock requisition are available at stores.

2.2.2 A manual stock requisition, is completed by the requestor requesting a stock item detailing the following:

- Description of the products and product code
- Quantity required for each product
- Vote number
- Name of requestor
- Date + Department
- Reason for request

2.2.2.1 The stock requisitioned, after establishing that the required product are held by the store, uses the manual stock requisition to place a request on the store, for the desired items.

2.2.3 The manual requisition is authorised according the Approved Delegated Authority Framework by the official within the limits of authority.

2.2.4 All unused lines on the manual requisition, are cancelled by the requester to avoid alterations being performed subsequent to authorization.

2.2.5 Each store must have available a list of approved authorised signatories that reflect the Approved Delegated Authority Framework.

2.2.5.1 The manual requisition are handed over to the store personnel.

2.2.5.2The stores personnel clear the requests using the financial system to check for any budget restrictions. If there is sufficient funds available, the issue is approved. If there is not sufficient funds available for the transaction, the requisition is rejected and returned to the requestor. The requestor should provide the correct or an alternative vote numbers, with the necessary available funds before the stock issue can be done.

2.2.5.3 The manual requisition is used by the stores personnel to collect the materials from the shelves. The stores personnel checks the picked goods against the stock requisition and verifies that the correct items and quantities are issued.

2.2.6 The stores personnel group the requested items it for collection. The stores personnel houses the requested stock items as per the stock requisition to be collected by the requestor or his delegate.

2.2.6.1 Upon transferring the requested stock, to the requestor or delegated official of the requestor, the stores personnel inscribe the items description, quantity, date, vote number into his store issue book.

2.2.7 The end user ensures that the physical quantity and description of the materials issued matches the manual stock requisition and signs the stock requisition book as acknowledgment of receipt of stock items.

2.2.8 If applicable, the end user, responsible for the requisition, is notified through email that the stock is ready for collection.

2.2.9 The stores personnel completes and signs the stores issue book as evidence of issuing the items requested.

2.2.10 Once the Phoenix Vesta Financial system is available, the manual stock requisition documents are processed.

2.2.11 the store's personnel completes the stock requisition book as evidence of his issuing the goods. The stock issued are manually updated on the stores bin cards. The white copy of the store issue book are batched on a daily basis and the stores personnel capture the transactions online on the Promun Financial system.

2.2.12 the yellow copy of the stock requisition is kept in the store issue book for future auditing purposes.

2.2.13 The stores personnel generates a report which indicates transactions captured .The stores personnel verifies that all the transactions were correctly allocated against the correct item codes, vote numbers , quantities and signs the report , files it for future auditing purposes.

2.1.14 At month end a detailed list of all requisitions issued against a department is forwarded to the Head of the different Departments for his verification of validity and accuracy.

2.3 Emergency Stock Issues

2.3.1 After normal office hours where emergencies occurs a manual system is adopted.

2.3.2 A manual store issue requisition is completed by requestor of a stock item, detailing the following:

- Description of the products and product code

- Quantity required for each product
- Vote-number
- Name of requester
- Date
- Reason for request

2.3.3 The requestor signs store issue requisition book for acceptance of requested stock.

2.3.4 The store's personnel also signs and stamps emergency on the stores issue requisition as evidence of issuing the emergency items requested.

2.3.5. All unused lines on the stores issue requisition book, are cancelled. No alterations are allowed or are being performed subsequent to authorization.

2.3.6 The responsible person [emergency item requestor] raises the required requisition on the 1st working day and gets authorization of the requisition within the limits of authority and its provisions.

2.3.7 The stores personnel accepts the requisition and follow the normal stock issuing processes.

3.8 The requestor is notified electronically that the stock was issued and if applicable the remainder is ready for collection.

2.3.9 The emergency item requestor ensures that the physical quantity and description of the materials issued matches the items that were received

2.3.10The manual stores issue requisition number are used as reference when manually updating the relevant bin cards accordingly.

2.3.11The manual stock issue requisition is cross –referenced to the electronic requisition, signed, dated and stamped to indicate that it has been processed.

2.3.12 The completed white copy of the stores issue requisition is batched for processing by stores personnel. The yellow copy stays in the stores issue requisition book for auditing purposes.

2.3.13 The white copy and batches are stored at the stores.

2.3.14 The manual stock issue documents are processed and batched, and captured on the system by the stores personnel to update the financial system accordingly.

2.3.15The stores personnel generates a report which indicates transactions captured .The stores personnel verifies that all the transactions were correctly allocated against the correct item codes, vote numbers , quantities and signs the report, files it for future auditing purposes.

2.1.16 At month end a detailed list of all requisitions issued against a department is forwarded to the Head of the different Departments for his verification of validy and accuracy.

3. REPLENISHMENT

3.1 Stock re-order levels are set by the CFO or delegator in consultation with the appropriate delegated person of each Directorate /Department and is updated on a quarterly basis.

3.2 On a weekly basis, the stock controller obtains a report from Phoenix Vesta financial system indicating stock codes that have reached their re-order levels, detailing the following:

- Product code
- Product description
- Minimum and maximum quantity
- Quantity on hand

3.3 Not all indicated re-ordered items on the printout are necessarily replenished.

3.4 The store personnel reviews each item and together with the re-order minimum and maximum reports, issue and usage reports, decides whether or not an item needs to be replenished.

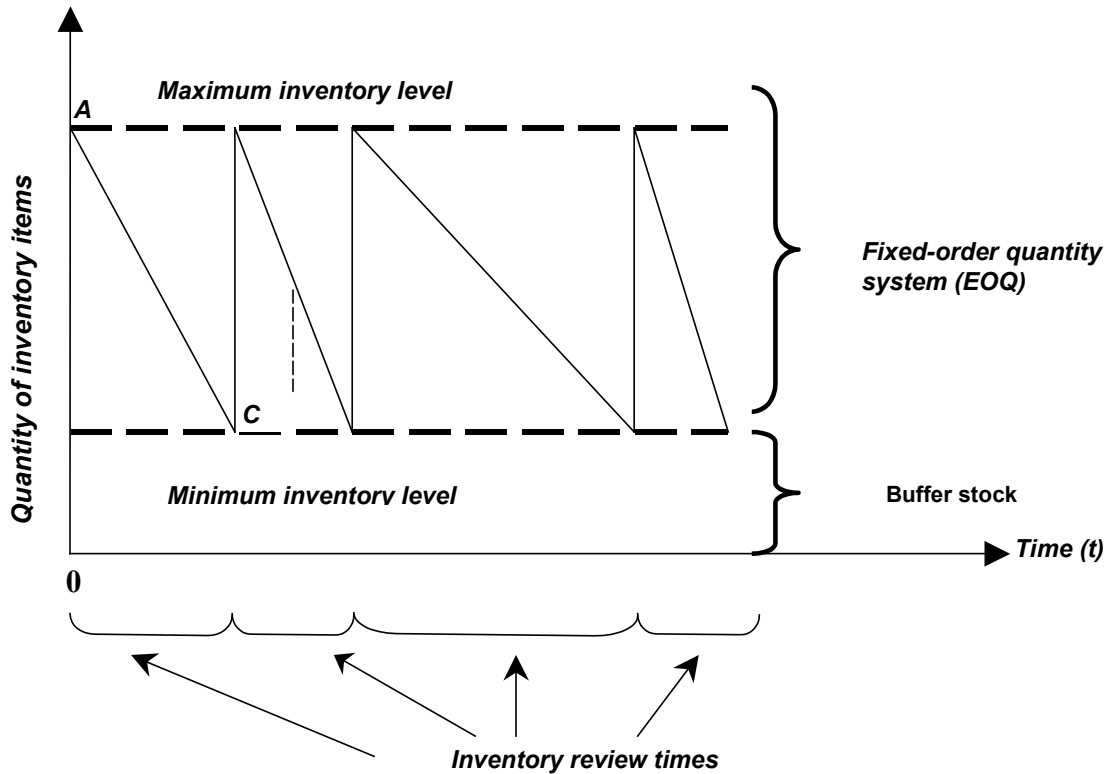
3.4.1 The replenishment method used are the Fixed Order Quantity System {FOQS}.

3.4.2. The FOQS system is based on the predetermination of a fixed quantity {A} which must be ordered every time the stock item is supplemented. Total investment in stock is kept at the required level through adjustment of the planned maximum and minimum values.

3.4.3 The FOQS system requires a suitable re-order point {C} which is determined with the inputs of the Superintendents. Stock items levels are automatically triggered by the Phoenix Vesta financial system when the stock levels falls to the re-ordering / minimum point. Replenishment of these selected items are determined with respect to point 3.3 and 3.4.

3.4.4 The re-ordering point is determined in such a way that the estimated consumption of the stock items during the delivery period will be such that at the time when the new order is received, the actual stock level is down to a predetermined minimum.

3.4.5 Receipt of the new order then pushes up the stock level to a predetermined maximum.



3.5 The stores personnel processes all replenishments requests, which he considers necessary, on an requisition, which is approved according to The Departmental Superintendents Approved Delegated Authority Framework which might be the Head Supply Chain Management and (general Items) or the Department Superintendents for specific departmental items.

3.6 Once the electronic stock replenishment requisition is raised it is then approved by the departmental Superintendents, it is submitted to the SCM Head Supply Chain Management and Disposal and then to the Purchasing department.

3.7 All stock replenishment requisitions may request any stock item which is afterwards approved by the Delegated Authority Framework.

3.8 The replenishment requisitions are either approved or rejected by the relevant authorised persons in the Approved Delegated Authority Framework.

3.9 The stores controller can review the current status of their requisitions.

3.10 All replenished stock are manually brought unto Bin card system and the corresponding paperwork used to update the Phoenix Vesta system.

3.11 The Head Supply Chain Management authorizes all the invoices received for payment.

3.12 All the approved invoices are paid by the Creditors department.

4. STOCK RETURNS

4.1 These procedures are to be followed for the return of stock items at the originally expensed cost from the various departments to the stores.

4.2 A manual stock return document in the stock return book is completed and signed by the person returning the stock and handed over to the storeman with the goods that are returned.

4.3 A full description is inserted and reasons for returning the as well as non-use of stock item. The original stock requisition number must be indicated on the stock return note.

4.4 The storeman checks that the stock are in their original condition before accepting the returned goods, and signs the manual stock return book as proof of receipt of returned goods.

4.5 The info on the return note is compared to the original stock requisition for accuracy.

4.6 The storeman will capture the transaction onto the bin card system and batches the returns as an adjustment form for capture in the financial system. The adjustment batch, for returns, created by the stores personnel are approved by the Approved Delegated Authority Framework.

4.7 The white copy of stock return book are attached to the batched adjustment created for capturing on the financial system by the IT data capturing clerk.

4.8 The stock return book is kept at the stores for easy access.

4.9 The yellow copy of the stock return document is retained by the store, in the book, for future auditing purposes.

4.10 Where the returned goods result in the product exceeding the maximum amount kept, the goods must still be accepted and captured and excluded from auditing queries.

4.11. Stock returns will only be accepted until 31st of May every year.

5. STOCK COUNTS

5.1. The Stores Supervisor is the stock count coordinator.

5.1.1 Prior to the commencement of a stock count the following steps must be performed:

- All documentation must be interfaced to the general ledger and stores.
- All ordered items have been received and stored at correct bin locations.
- Ensure that no system transactions take place during the stock count **except** emergencies of which the transactions are manually recorded.
- All consignment stock and late delivery stock is identified and ring-fenced/cordoned so as not to be counted.

5.2 The procedures detailed below are to be followed for the planning, registration and performance of stock counts.

5.3 The Stores Supervisor or delegated person generate a list of all items in the store for stock taking purposes.

5.4 The Stores: Supervisor plans the stock count in terms of staff availability; segregation of duties and teams based on volumes. Teams are set up of one store official and one or two official's independent of stores processes.

5.5 The Stores: Supervisor meets the count teams and briefs them as to the count procedures.

5.7 The stock count includes all three stores registered on the Phoenix Vesta Financial system and the count sheets consist of two sets per store.

5.8 The stock take re-order reports which include the warehouse numbers, item codes, descriptions are automatically generated by the financial system. No quantities are indicated as this needs to be recorded by the count official

5.9 The pre numbered stock sheets are printed in duplicate, one copy for the internal auditor and one copy for counting purposes.

5.10 The stock co-coordinator supervises the count teams. The council appoints the councilors responsible for the counting as well as the reserves on the request of the stock coordinator.

5.11 The stock count instructions are issued to the count officials and then briefed by the stock co-coordinator as to the stock count procedures.

5.12 Count officials mark, with different colours, the shelf/bin/bin card to indicate which items have been counted.

5.13 Counting of stock is the responsibility of the counting officials .Stores personnel are only responsible to show the counting officials where the various stock items are being kept.

5.14 If a product item is identified which does not appear on the stock sheet, an entry must be made at the end of the list of all product items not on the stock sheets with its relevant details.

5.15 Once the officials has completed their counts they initial all changes on the count sheets sign and return the stock count sheets to the stock co-coordinator.

5.16 The Head Supply Chain Management as an independent supervisor/advisor of the count to ensure that the procedures are adhered to.

5.17 The stock co-coordinator ensures that all product items have been counted by performing the following:

- A walkthrough the store is done to ensure that each stock item has the relevant markings from both count teams attached.
- All line item on the stock sheets have been recorded as counted.
- All count sheets have been handed in and apriority signed.

5.18 The results of the counts of the two teams are compared with the totals on the stock count re-order report. All the differences (discrepancies/uncounted items) are brought under the attention of the stock count coordinator. Variances are followed up by recounting the items where differences exists.

5.19 The totals of the stock item as counted by the counting teams are compared to the totals as indicated on the system. Variances are followed up by recounting the stock items where differences are indicated.

5.20 Once the storeman is satisfied that all items have been counted correctly stock count re-order sheets are signed and transferred to the stock co-coordinator.

5.21 The stock co-coordinator reviews the stock count re-order sheets and signs to authorise the completion of the count.

5.22 The stock count re-order sheets are returned to the storeman.

5.23 Each difference between the actual total and the stock count re-order report is followed up and investigated. Differences must be resolved and documented by the cost centre manager/financial representative.

5.24 All the stock count information must be bound and filed in a logical order for reference purposes.

5.25 Old, obsolete or deteriorating stock (items not expected to realise their value) is identified and written down/scrapped and disposal procedures are adopted

5.26 During the stock count procedures all old, damaged or obsolete stock is identified and ring-fenced.

5.27 In the event that no other Directorate want the items, they are sent to Asset Controller for sale on public auction.

5.28 An independent official (internal auditor) is given the responsibility of re-counting the items where differences arose.

5.1 Monthly Spot checks

5.1.1. The Stores Supervisor is responsible for a monthly spot check at the three stores of selected items as per report .

5.4.2. The monthly count must on a yearly cycle, include all the items, warehoused in stores.

5.4.3 Proof of these monthly counting cycles needs to be filed for auditing purposes.

6. STORES TRANSFERS

6.1 No stores transfers are allowed.

7. MASTER FILE MAINTENANCE

- Prior to all master file changes being performed, the appropriate authorization must be obtained in terms on the delegated authorities.

7.1 Item Description Changes

7.1.1 Item descriptions may be changed for the following reasons:

- New items created on system
- Amendments or corrections of existing descriptions
- More information required for requesting purposes

7.1.2 The request must be accompanied by a Stores Masterfile Maintenance changes form.

7.1.3 The request is completed and submitted by the Storeman to the Stores Supervisor.

7.1.5 The allocated persons namely Stores Supervisor enters the changes on the financial system as per the request. Once the desired updates have been done the Stores Master file Maintenance form are signed by the official who captured it.

7.1.6 The completed form is sent back to the store and a copy is filed at the warehouse.

7.2 Minimum and maximum stock maintenance

7.2.1 The Stores Supervisor generates on a quarterly basis a report reflecting stock holdings, together with the movement report.

7.2.2 The Stores Supervisor uses these reports as a management tool to bring stock levels down by:

- Ensuring no requisitions for procurement are authorised for items reflected in the excessive stock report.
- Adjusting maximum stock levels in line with operational needs and inputs by the different Departmental Superintendents.
- Slow / non moving stock items should be identified and provisions for stock write offs/obsolescence should be made where warranted.

7.2.3 All adjustments are motivated and signed by the different Department Superintendents as well as the Stores Supervisor.

7.2.4 The Accounting Officer or delegate will be held responsible for stock value and working capital management of the respective stores.

7.2.5 An amended re-order report for change in the min/max levels by the different departmental superintendents are used to adjust accordingly based on the following:

- Stockholding should be based on the economic order quantity
- To prevent over-stock of certain items
- To regulate the movement of stock items.
- To avoid obsolescence

7.2.6 The request is sent to Stores Supervisor, which allocates it to the person responsible for that store.

7.2.7 Stores Supervisor enters the master file and change the Min/Max quantities.

7.2.8 All supporting documentation is filed at the stores.

7.3 Unit of measure maintenance

7.3.1 Units of measure changes are done for the following reasons:

- Issue measure has changed
- Items are opened against the incorrect measure maintenance.
- Unit of measure change

7.4 Suspension of Stock Items

7.4.1 Stock items can be suspended for the following reasons:

- Slow moving items can be purchased directly against departmental vote numbers.
- Items that are obsolete/written off at the stores
- Items don't meet the prescribed quality

7.5 Zero/Negative Values

7.5.1 A zero value report is run for all stock items where a quantity is reflected. These inventory items should be write-on unto stores with the average amount.

7.6 Write off's

7.6.1 The reason for this function is as follows:

- Dormant stock
- Damaged /broken stock
- Obsolete stock

7.6.2 All write offs are identified by the storeman in consultation with the different departmental Superintendents.

7.6.3 Their request is forwarded to CFO or the Approved Delegated Authority Framework for approval.

7.6.4 Valid requests with the necessary motivation, as determined by the CFO or Approved Delegated Authority Framework is tabled to Council for approval of a write-off.

7.6.5 The Storeman records the transaction on the financial system with the official recommendation from Council as proof for the write-off.

7.6.6. The appropriate vote number are used for the write-off of stock.

7.6.7 The write-off items are removed from stores and handed over to the Assistant Accountant Assets for disposal via public auction.

7.6.8 Copies of write-off documents to Assets Department are kept for future auditing purposes.

8: Monthly reporting

8.1 The slow moving stock report is run quarterly and a provision for obsolescence is made for all old stock reflected.

8.2The total monthly issues reports per department are forwarded to the different departments for scrutiny.

8.3 The twenty highest stock turn-over items is forwarded to the different departments for scrutiny.

8.4The percentage over maximum stock report **is** forwarded to the storeman for a detailed explanation why the maximum item amounts were exceeded.

8.5The dormant stock report is forwarded to all the departments to see items not used and possibly included in future planning of projects or repairs.

8.6The value of top twenty stock items report **are** forwarded to the different departments.

8.7 The monthly re-order report **is** forwarded to all the different departments for them to scrutinize and in consultation with the storeman determine the following:

- Ensuring correct description of inventory warehoused.
- Adjusting the maximum and minimum quantities of stock.
- Forwarding requests for additional stock purchases of future projects.
- Identifying stock items that are obsolete or which are not going to be used for write-off.
- Earmarking stock warehoused for current projects or jobs.

8.8 The monthly skipped issue notes report are followed up and sufficient reason given to the Stores Supervisor why it was not used.

9: Monthly Reconciliation

9.1 The Stores Supervisor are responsible to see that the monthly reconciliation of warehouses suspense accounts are completed and correct.

9.2A Hard copy of the monthly reconciliation is kept by the Stores Supervisor.

10: Stores Hours

Monday till Thursday from 07.30 till 16H30.

Friday from 07.30 till 15H30

11: Adjustments

Adjustment must be authorized by the Assistant Accountant Assets or Stores Supervisor.