



**THEMBELIHLE**

**LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI**

# DRAFT BUDGET 2020/2021



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## GLOSSARY

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**Annual Budgets** – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

**Allocations** – Money received from Provincial and National Treasury.

**Budget** – The financial plan of a municipality.

**Budget related policy** – Policy of a municipality affecting or affected by the budget. Examples include traffic policy, rated policy and credit control and debt policy.

**Budget Steering Committee** – Committee established to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA.

**Capital Expenditure** – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments. Cash receipts and payments do not always coincide with budgeted income and expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month that the services or goods are received, even though it may not be paid in the same period.

**CPI** – Headline Consumer Price Index

**DORA** – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

**DoRb** – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to assist municipalities with the costs of free basic services.

**GFS** – Government Finance Statistics. An internationally recognized classification system that facilitates comparisons between municipalities.

**IDP** – Integrated Development Plan. The main strategic planning document of a municipality.

**KPI** – Key Performance Indicators. Measures of service output and/or outcome.

**MFMA** – Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

**MTREF** – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level thereof. It effectively represents a municipality's medium term financial plan.

**NT** – National Treasury

**Operating Expenditure** – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

**Rates** – Local Government tax based on assessed valuation of a property.

**TMA** – Total Municipal Account

**SCM** – Supply Chain Management

**SDBIP** – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**SFA** – Strategic Focus areas: The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these strategic focus areas.

**Vote** – One of the main segments into which a budget is divided, usually at directorate level

# MAYORAL BUDGET SPEECH

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Councillors,  
Compatriots and friends,  
Municipal Manager, CFO, the management team and all officials of the municipality  
Community leaders  
Ward committee members  
Honored guests  
Residents of Thembelihle,

## Introduction

I am humbled by the honor to address you as I present the Integrated Development Plan (IDP) and Annual Budget of Thembelihle Local Municipality for the 2018/19 Medium Term Revenue and Expenditure Framework period. This is the most critical time of our tenure as council as it sets the tone for the following years to come and ensure we deliver services to this community and its inhabitants.

“The core services that local government provides - clean drinking water, sanitation, electricity, waste removal and roads - are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. Local government is where most citizens interface with government, and its foundational ethos must be about serving people.

Local government has been a primary site for the delivery of services in South Africa since 1994. We have made tremendous progress in delivering water, electricity, sanitation and refuse removal at a local level. These rates of delivery are unprecedented in world-wide terms.

Yet despite our delivery achievements, it is clear that much needs to be done to support, educate and where needed, enforce implementation of local governments mandate for delivery. The transformation of the local government sector remains a priority for us as council.

## mSCOA – Municipal Standard Chart of Accounts

Councillors, the implementation date for Municipalities to be live on the mSCOA System was 1 July 2017. Unfortunately, we did not meet our deadline of transacting but we as Thembelihle are able to provide National Treasury with monthly data strings and reports in mSCOA format. Sebata as well as Thembelihle Municipality are hard at work to ensure that we transact on the mSCOA portal within the near future.

mSCOA was introduced by the National Treasury to provide a uniform and standardized financial transaction classification framework. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. mSCOA therefore prescribes the method and format that municipalities should record and classify all their expenditure, revenue, liabilities, equity and assets policy.

mSCOA is divided into 7 segments and they are:

*Funding* – describes which source of funding will be used for transactions and from which source revenue is received

*Function* – the function/sub-function against which transactions are recorded

*Item* – describes the nature of transactions to be recorded (asset, liability, revenue, expenditure or gain/loss)

*Projects* – describes the projects to which transactions are related

*Costing* – impact of the transaction on the secondary costing

*Region* – describes the region of the municipality to which the transaction relates

*Classification* – describes the votes or sub-votes to which each transaction is to be recorded.

The main reasons why National Treasury introduced mSCOA at local government level are as follows:

- There are inconsistencies in financial classifications by municipalities;
- Poor data integrity (validity, accuracy and completeness of municipal data was in most cases questionable); and
- Irregular submission of reports to regulatory bodies/organizations.

This led to difficulty in decision making by regulatory bodies and policy makers and ultimately leading to unnecessary tension at customer level.

#### Challenges faced by Thembelihle Local Municipality

It is a well-known fact that our municipality is currently facing challenges with regards to staff and the cash flow of the municipality leaves much to be desired. We as council and the administration, are making a concerted effort to steer the municipality to address these challenges and with the continued commitment of all Councilors and dedication of the staff we will surely overcome them to ensure the financial viability and sustainability of the municipality.

I wish to highlight the fact that one of the biggest problems in our municipality is the collection of debt and this problem needs to be addressed with stringent measures and programmes which, if implemented correctly, can ease the pressure on the cash flow of the municipality. As a basic rule, for every expense incurred, there must be a corresponding revenue stream to fund that expenditure.

#### Good governance

Good governance is at the heart of the effective functioning of any organization and we as a municipality need to adhere to the same principles. These simple basics should be carried out by all of us:

- The holding of Council meetings as legislated;
- The functionality of s79 committees;
- The existence and efficiency of Anti-Corruption measures;
- The extent to which there is compliance with legislation and enforcement of by- laws; and
- The rate of service delivery protests and approaches to address them.

#### Public Participation

We as a municipality must develop affordable and efficient communication systems to communicate regularly with communities and disseminate urgent information. The basic measures to be monitored:

- The existence of the required number of functional Ward committees.
- The number of effective public participation programmes conducted by Councilors.
- The regularity of community satisfaction surveys carried out.

### Financial Management

Sound financial management is integral to the success of Thembelihle. National Treasury has legislated standards and reporting requirements that municipalities should adhere to. Performance against the following basic indicators to be monitored regularly:

- The number of disclaimers in the last three to five years.
- Whether the budgets are realistic and based on cash available.
- The percentage revenue collected.
- The extent to which debt is serviced.
- The efficiency and functionality of supply chain management.

With that said, there are a number of key figures that I would like to emphasize:

- The Capital Budget increased from about R 21 million from the previous year to R29.3 million;
- Projected revenue being R99 million including capital and expenditure being R67 million excluding capital.
- The budget will also indicate that tariffs have increased by a base line increase of 6.9% for the year coming and for Electricity, which increased by an overall 6.9% which is as per notice from the National Energy Regulator of South Africa. All budget related National Treasury MFMA Circulars were considered when compiling the budget.
- The budget book contains the details in the outer years of the medium term revenue and expenditure framework which in essence maintain this trend.

Our major cost drivers reflect as follows:

- Employee Cost: R 30,7 million
- Remuneration of councillors: R3,1 million
- Operating Cost: R 66,5 million
- Capital Cost: R 29,3 million
- Depreciation: R 8,7 million

Our Major Revenue Sources that we anticipate:

- Grants & Subsidies R 59,5 million
- Income Generated R 37,4 million

- Capital Funding R 29,3 million

The total capital budget is funded as follows:

National Government	R 28.4 million
Own funding	R 0.9 million
TOTAL SOURCE	R 29,3 million

During the Financial Year of 2020/2021 major capital projects that we anticipate to actively progress with and work towards completion are as follows:

- Upgrading of Roads in Steynville
- Development of Steynville sports facility
- Ground Water in Strydenburg
- Upgrading of Roads in Strydenburg

Councillors, the Annual recommendations of this budget will be dealt with when the budget is presented to Council for adoption.

### Conclusion

Having worked together with our communities, we will strive to continue to do so.

We remain strongly committed to the principles of accountability, transparency, good governance, proper financial management and effective internal control systems. It is through our collective wisdom and unity of purpose that we can serve our communities much better.

I hereby table the Draft Budget/IDP 2020/21 for adoption.

I thank you.

Cllr B Mpamba  
Mayor  
Thembehle Local Municipality



### **3 RESOLUTION**

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**Minutes of a General Council Meeting that took place the 15 May 2020 (To be included)**

### **4 EXECUTIVE SUMMARY**

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The 2020/2021 MTREF budget has been developed with an overall planning framework and includes programmes and projects to achieve the municipality's strategic objectives. Municipal revenues and cash flows are expected to remain under pressure in 2020/21 due to the state of the economy; hence a conservative approach has been adopted when projecting expected revenues and receipts.

The challenge to produce a sustainable, affordable budget necessitated reduction to certain budgetary provisions. National Treasury MFMA Budget related Circulars and related correspondence clearly prescribe that a budget must be realistic, sustainable and relevant; and must be fully funded. To comply with these prescribes, it is a requirement that the municipality must produce a positive cash flow budget for the 2017/2018 financial year. This was no mean feat to achieve which resulted in having to apply a very conservative approach during the budget process.

The MTREF is a financial plan that enables the municipality to achieve its vision and mission through the IDP Strategy which is informed by the development agenda and community/stakeholder inputs.

The budget serves to bring to light the current council developmental priorities as outlined below:

- Poverty reduction, job-creation, rural and economic development
- Financial sustainability
- Spatial development and the built environment
- Human settlements
- Social and community services
- Good governance

National Treasury's MFMA Circular No. 99 was used to guide the compilation of the 2020/21 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Sustainable, affordable, realistic and balanced budget
- Budget to contribute to achieving strategic objectives of the IDP
- Tariffs to be cost reflective, realistic and affordable
- Income/ Revenue driven budget: affordability i.e. if funds do not materialize review expenditure
- Realistic and achievable collection rates

The main CHALLENGES experienced during the compilation of the 2020/21 MTREF can be summarized as follows:

- The growing debt to Eskom;
- Limited resources and minimal growth in the rates base;
- Major strain on capital budget due to increased demand and eradication of backlogs.
- Unemployment: sustaining existing collection rates.

The MFREF-based revenue and expenditure projections assumed inflation-linked annual adjustments at 1.2 % and the outer years still to be reviewed for the 3-year budget period of 2020/2021, 2021/2022 and 2022/2023.

Further key parameters applied to the Municipality's financial framework included the following for the 2020/2021 financial year:

Revenue / tariff increases

• Rates	5.4%
• Electricity	6.9%
• Water	5.4%
• Sanitation	5.4%
• Refuse	5.4%
• Salaries and Wages adjustments	6.25%
• General Expenses	5.4%

Our major cost drivers reflect as follows:

• Employee Cost:	R 30,7 million
• Remuneration of councillors:	R3,1 million
• Operating Cost:	R 66,5 million
• Capital Cost:	R 29,3 million
• Depreciation:	R 8,7 million

Our Major Revenue Sources that we anticipate:

• Grants & Subsidies	R 59,5 million
• Income Generated	R 37,4 million
• Capital Funding	R 29,3 million

The budget has been prepared in terms of guidelines as contained in all budget related National Treasury Circulars and Guidelines issued. Budget related policies need to be revised or amended on a regular basis to ensure that the municipality has effective guidelines to ensure performance of their duties.

I hereby recommend that this 2020/ 2021 Draft Annual budget presented to council will be adopted.

## 4 QUALITY CERTIFICATE

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# ANNUAL BUDGET TABLES

The Budget schedules approved by resolution of Council:

**Table 1 – Budget Summary**

NC076 Thembehlhe - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	6 422	6 422	-	-	6 432	6 811	7 234
Service charges	-	-	-	22 017	25 789	-	-	23 116	24 476	26 003
Investment revenue	-	-	-	342	342	342	-	742	785	834
Transfers recognised - operational	-	-	-	-	-	-	-	33 444	31 812	36 763
Other own revenue	-	-	-	6 558	7 536	7 536	-	7 116	7 535	7 993
<b>Total Revenue (excluding capital transfers and contributions)</b>				<b>35 339</b>	<b>40 088</b>	<b>7 878</b>		<b>70 849</b>	<b>71 420</b>	<b>78 827</b>
Employee costs	-	-	-	29 545	30 535	-	-	30 673	14 319	34 493
Remuneration of councillors	-	-	-	2 781	2 791	2 791	-	3 066	3 247	3 448
Depreciation & asset impairment	-	-	-	8 233	8 233	-	-	8 669	9 167	9 591
Finance charges	-	-	-	1 806	1 054	1 054	-	1 902	2 014	2 139
Materials and bulk purchases	-	-	-	10 579	10 658	1 891	-	11 467	12 112	12 862
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	-	-	-	10 126	13 844	4 223	-	10 725	11 277	11 715
<b>Total Expenditure</b>				<b>63 070</b>	<b>67 115</b>	<b>9 959</b>		<b>66 501</b>	<b>52 136</b>	<b>74 247</b>
<b>Surplus/(Deficit)</b>				<b>(27 731)</b>	<b>(27 027)</b>	<b>(2 082)</b>		<b>4 348</b>	<b>19 284</b>	<b>4 580</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	-	-	14 756	13 107	13 107	-	28 417	39 831	22 134
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>				<b>(12 976)</b>	<b>(13 919)</b>	<b>11 026</b>		<b>32 765</b>	<b>59 115</b>	<b>26 714</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>				<b>(12 976)</b>	<b>(13 919)</b>	<b>11 026</b>		<b>32 765</b>	<b>59 115</b>	<b>26 714</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>										
Transfers recognised - capital	-	-	-	16 005	14 807	14 807	-	9 804	10 179	10 179
Borrowing	-	-	-	16 005	14 257	14 257	-	9 804	10 179	10 179
Internally generated funds	-	-	-	-	550	550	-	-	-	-
<b>Total sources of capital funds</b>				<b>16 005</b>	<b>14 807</b>	<b>14 807</b>		<b>9 804</b>	<b>10 179</b>	<b>10 179</b>
<b>Financial position</b>										
Total current assets	-	-	-	-	-	-	-	-	-	-
Total non current assets	-	-	-	-	-	-	-	-	-	-
Total current liabilities	-	-	-	-	-	-	-	-	-	-
Total non current liabilities	-	-	-	-	-	-	-	-	-	-
Community wealth/Equity	-	-	-	-	-	-	-	-	-	-
<b>Cash flows</b>										
Net cash from (used) operating	-	-	-	-	-	-	-	-	-	-
Net cash from (used) investing	-	-	-	-	-	-	-	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>										
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	-	-	-	-	-	-	-	-	-	-
Application of cash and investments	-	-	-	-	-	-	-	-	-	-
<b>Balance - surplus (shortfall)</b>										
<b>Asset management</b>										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	361	361	-	546	546	578	614
Revenue cost of free services provided	-	-	-	3 344	3 344	-	2 599	2 599	2 752	2 913
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

**Table 1: Budget Summary (Table A1)**

**Table 2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification)**

NC076 Thembelihle - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		-	-	-	101 077	68 286	68 286	70 575	71 535	78 949
Executive and council		-	-	-	41 602	21 330	21 330	25 865	27 726	29 410
Finance and administration		-	-	-	59 474	46 956	46 956	44 710	43 809	49 540
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	454	454	454	572	572	572
Community and social services		-	-	-	454	454	454	572	572	572
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	12 657	12 657	12 657	23 562	32 190	12 654
Planning and development		-	-	-	11 528	11 528	11 528	22 383	30 940	11 327
Road transport		-	-	-	1 129	1 129	1 129	1 180	1 249	1 327
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	5 055	5 055	5 055	6 189	8 611	10 516
Energy sources		-	-	-	6 433	6 433	6 433	7 502	10 003	12 003
Water management		-	-	-	(402)	(402)	(402)	(549)	(582)	(618)
Waste water management		-	-	-	(976)	(976)	(976)	(764)	(810)	(869)
Waste management		-	-	-	-	-	-	-	-	-
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	-	-	119 244	86 452	86 452	100 898	112 907	102 692
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		-	-	-	26 661	26 697	26 697	27 480	29 238	30 787
Executive and council		-	-	-	6 130	6 130	6 130	6 420	6 941	7 128
Finance and administration		-	-	-	20 531	20 568	20 568	21 060	22 298	23 659
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	2 166	1 950	1 950	871	922	979
Community and social services		-	-	-	2 166	1 950	1 950	871	922	979
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	15 171	15 775	15 775	14 361	14 207	15 035
Planning and development		-	-	-	11 605	11 610	11 610	11 131	10 773	11 404
Road transport		-	-	-	3 566	4 165	4 165	3 230	3 434	3 632
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	22 938	22 961	22 961	26 202	27 699	29 267
Energy sources		-	-	-	11 518	11 536	11 536	12 737	13 475	14 165
Water management		-	-	-	7 599	7 600	7 600	8 643	9 121	9 687
Waste water management		-	-	-	2 234	2 234	2 234	2 129	2 254	2 394
Waste management		-	-	-	1 586	1 590	1 590	2 693	2 849	3 022
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	-	-	66 934	67 383	67 383	68 914	72 067	76 068
<b>Surplus/(Deficit) for the year</b>		-	-	-	52 309	19 069	19 069	31 985	40 840	26 623

**Table 2: Budget Summary (Table A2)**

**Table 3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

NC076 Thembelihle - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Vote</b>	1									
Vote 1 - Directorate of Mayor and Council		-	-	-	41 602	21 330	21 330	25 865	27 726	29 410
Vote 2 - Directorate of the Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Office of Financial Management		-	-	-	15 341	11 122	11 122	10 817	8 535	12 099
Vote 4 - Office of Corporate Services		-	-	-	45 717	40 398	40 398	35 644	37 094	39 339
Vote 5 - Office Technical Services		-	-	-	16 580	13 600	13 600	28 564	39 543	21 834
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-
Vote 7 - Planning & Development		-	-	-	3	3	3	8	9	9
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	-	-	119 244	86 452	86 452	100 898	112 907	102 692
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Directorate of Mayor and Council		-	-	-	6 130	6 130	6 130	6 420	6 941	7 128
Vote 2 - Directorate of the Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Office of Financial Management		-	-	-	15 200	15 205	15 205	12 055	12 733	13 505
Vote 4 - Office of Corporate Services		-	-	-	11 075	11 489	11 489	13 137	13 922	14 767
Vote 5 - Office Technical Services		-	-	-	34 530	34 558	34 558	37 302	38 471	40 669
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-
Vote 7 - Planning & Development		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	-	-	66 934	67 383	67 383	68 914	72 067	76 068
<b>Surplus/(Deficit) for the year</b>	2	-	-	-	52 309	19 069	19 069	31 985	40 840	26 623

**Table 3: Budgeted Financial Performance (revenue and expenditure by municipal vote) (Table A3)**

**Table 4 – Budgeted Financial Performance (revenue and expenditure)**

**NC076 Thembelihle - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
<b>Revenue By Source</b>											
Property rates	2	-	-	-	6 422	6 422	-	-	6 432	6 811	7 234
Service charges - electricity revenue	2	-	-	-	14 660	17 935	-	-	16 374	17 340	18 415
Service charges - water revenue	2	-	-	-	3 797	3 960	-	-	3 261	3 449	3 663
Service charges - sanitation revenue	2	-	-	-	2 446	2 779	-	-	2 788	2 953	3 136
Service charges - refuse revenue	2	-	-	-	1 114	1 114	-	-	693	734	789
Rental of facilities and equipment		-	-	-	647	647	647	-	575	608	646
Interest earned - external investments		-	-	-	342	342	342	-	742	785	834
Interest earned - outstanding debtors		-	-	-	1 173	1 558	1 558	-	1 288	1 363	1 438
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	27	620	620	-	361	383	406
Licences and permits		-	-	-	342	342	342	-	296	314	333
Agency services		-	-	-	1 124	1 124	1 124	-	1 180	1 249	1 327
Transfers and subsidies		-	-	-	-	-	-	-	33 444	31 812	36 763
Other revenue	2	-	-	-	-	-	-	-	-	-	-
<b>Gains</b>		-	-	-	3 245	3 245	3 245	-	3 417	3 618	3 843
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	-	-	35 339	40 088	7 878	-	70 849	71 420	78 827
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	29 545	30 535	-	-	30 673	14 319	34 493
Remuneration of councillors		-	-	-	2 781	2 791	2 791	-	3 066	3 247	3 448
Debt impairment	3	-	-	-	505	4 223	4 223	-	530	562	596
Depreciation & asset impairment	2	-	-	-	8 233	8 233	-	-	8 669	9 167	9 591
Finance charges		-	-	-	1 806	1 054	1 054	-	1 902	2 014	2 139
Bulk purchases	2	-	-	-	8 767	8 767	-	-	9 849	10 430	11 077
Other materials	8	-	-	-	1 812	1 891	1 891	-	1 618	1 681	1 785
Contracted services		-	-	-	1 015	1 015	-	-	1 212	1 283	1 363
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	-	-	-	8 606	8 606	-	-	8 983	9 433	9 756
<b>Losses</b>		-	-	-	-	-	-	-	0	0	0
<b>Total Expenditure</b>		-	-	-	63 070	67 115	9 959	-	66 501	52 136	74 247
<b>Surplus/(Deficit)</b>		-	-	-	(27 731)	(27 027)	(2 082)	-	4 348	19 284	4 580
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	14 756	13 107	13 107	-	28 417	39 831	22 134
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		-	-	-	(12 976)	(13 919)	11 026	-	32 765	59 115	26 714
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		-	-	-	(12 976)	(13 919)	11 026	-	32 765	59 115	26 714
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		-	-	-	(12 976)	(13 919)	11 026	-	32 765	59 115	26 714
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		-	-	-	(12 976)	(13 919)	11 026	-	32 765	59 115	26 714

**Table 4: Budgeted Financial Performance (revenue and expenditure) (Table A4)**



**Table 5 – Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Directorate of Mayor and Council		-	-	-	100	100	100	-	120	93	93
Vote 2 - Directorate of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Office of Financial Management		-	-	-	150	150	150	-	20	10	10
Vote 4 - Office of Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Office Technical Services		-	-	-	15 755	14 557	14 557	-	9 664	10 076	10 076
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	16 005	14 807	14 807	-	9 804	10 179	10 179
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Directorate of Mayor and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Directorate of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Office of Financial Management		-	-	-	-	-	-	-	-	-	-
Vote 4 - Office of Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Office Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Vote</b>		-	-	-	16 005	14 807	14 807	-	9 804	10 179	10 179
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	100	100	100	-	120	93	93
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	100	100	100	-	120	93	93
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	9 475	8 977	8 977	-	9 574	9 986	9 986
Planning and development		-	-	-	9 475	8 977	8 977	-	9 574	9 986	9 986
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	6 430	5 730	5 730	-	110	100	100
Energy sources		-	-	-	5 980	5 280	5 280	-	30	30	30
Water management		-	-	-	150	150	150	-	20	10	10
Waste water management		-	-	-	150	150	150	-	0	0	0
Waste management		-	-	-	150	150	150	-	60	60	60
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	16 005	14 807	14 807	-	9 804	10 179	10 179
<b>Funded by:</b>											
National Government		-	-	-	16 005	14 257	14 257	-	9 804	10 179	10 179
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	-	-	-	16 005	14 257	14 257	-	9 804	10 179	10 179
<b>Borrowing</b>											
Internally generated funds	6	-	-	-	-	550	550	-	-	-	-
<b>Total Capital Funding</b>	7	-	-	-	16 005	14 807	14 807	-	9 804	10 179	10 179

**Table 5: Budget Capital Expenditure by vote, standard classification and funding (Table A5)**

# OVERVIEW OF ANNUAL BUDGET PROCESS

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## a. Budget Process Overview (including consultation process and outcomes)

In terms of Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. Section 53, requires the mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations, gazetted on 17 April 2009, states that the mayor of the municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

## 1. BACKGROUND

The Municipal System Act (Act 32 of 2000) and the Municipal Finance Management Act (Act 56 of 2003) require all municipalities to adopt a process plan for the integrated development plan and budget that will harness the development process. It is within this context that this first process plan of the newly constituted council was Annualised to particularly enable the municipality to meet the requirements spelled-out in section 27 (2) of the Municipal Systems Act (Act 32 Of 2000). The next sub-sections highlight the legislative frameworks to be complied with.

In Circular 99 Municipal Budget Circular for the 2020/21 MTREF, National Treasury encouraged municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 4 to 5 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 7 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

National Treasury has released Version 6.4 of Schedule A1 (the Excel Formats) which is aligned to version 6.3 of the mSCOA classification framework which must be used when compiling the 2020/21 MTREF budget. This version incorporates major changes (see Annexure A). Therefore, Thembelihle made use of this version for the preparation of their 2020/21 MTREF budget.

The process plan focusing on the IDP, PMS and Budget for 2020-2021 was tabled by the Mayor to Council during a Special Council meeting on 28 August 2019.

### 1.1 *Municipal Systems Act*

In terms of the Municipal System Act of 2000, all municipalities have to undertake an IDP process to produce the IDP. The Act further mandates municipalities to have a Performance Management System in place. These planning tools together with other planning instruments i.e. a municipal budget are designed to assist Municipalities to be developmentally oriented and to contribute meaningfully in improving the lives of their communities. As the aforementioned plans are the legislative requirements they have legal status and supersede all other plans that guide development at local government level.

Thembelihle Municipality has completed its 5 year IDP cycle. This was done in terms of chapter 5 and 6, of the Municipal System Act and of the Municipal Finance Management Act of 2003. In terms of Section 34 of the Municipal Systems Act:

Thembelihle Municipality is currently embarking on revising the IDP, the first one of the newly elected council, which will reflect the new planning. This plan will address, amongst others, the following:

- (a) Comments received from various role-players in the IDP process, especially the community, the IDP Representative Forum the IDP Hearings and the Engagement sessions.
- (b) Areas requiring additional attention in terms of legislation requirements;

- (c) Areas identified through self-assessment;
- (d) The review of KPI's (PMS) and alignment of budget;
- (e) The update of the 5 years' financial plan as well as the list of projects;
- (f) Identification of new projects,

- (g) The continuation of the Sector Plans to be completed
- (h) Implementation of existing projects
- (i) The update of the Spatial Development Framework (SDF); and
- (j) The preparation and update to the Sector Plans.

#### 1.2 *Municipal Finance Management Act*

Chapter 4, section 16 (1) and (2) of the Municipal Finance Management Act states that-

- 1) *The Council of the municipality must of each financial year approve an annual budget for the municipality before the start of the financial year.*
- 2) *In order for the municipality to comply with subsection (1), the Mayor of the municipality must table the annual budget at the council meeting at least 90 days before the start of the budget year.*

The above section must be read in conjunction with section 24 (1) which states that Council must at least 30 days before the start of the new financial year approve the annual budget. It is clear that this Act provides very strict time frames within the budget process must be completed. Adding to the above the Act states in section 21 (1) (b) that-

The Mayor of a Municipal must-

- (a) At least 10 months before the starts of the budget year, table in the municipal council a time schedule outlining key deadlines for-
- (b) The preparation, tabling and approval of the annual budget;
- (ii) the annual review of-
  - (aa) the integrated development plan in terms of section 34 of the municipal Systems Act and
  - (bb) the budget related policies;
- (iii) the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- (iv) Any consultative processed forming part of the referred to in subparagraphs (i), (ii) and (iii).

Considering this, it implies that the Mayor must table the budget process before Council, 10 months before the start of the new financial year.

### **ALIGNMENT PROCESS**

The Municipal Systems Act states that development strategies must be aligned with National and Provincial sector plans as well as planning requirements. It also establishes that a single inclusive and strategic plan must be adopted which links, integrates and coordinates plans.

The municipality realized early into the first round of IDPs that good effective alignment would result in successful implementation whilst a failure to align might result in a total collapse of the implementation of the IDP. The municipality tries to ensure alignment with the assistance of the PIMS-Centre, located at the Pixley ka Seme District Municipality and the involvement of the sector departments in the IDP Representative Forum.

Although alignment was not always reached fully in the previous IDP cycle the municipality takes the following documents into account in the IDP process:

- Integrated Sustainable Rural Development Programme (ISRDP)
- Northern Cape Provincial Growth and Development Strategy (PGDS)
- District Growth and Development ( DGDS)

- National Spatial Development Programme (NSDP)
- IDP Hearings Comments

Besides the alignment with National, Provincial and district programmes and policies, internal alignment is also reached in the process plan, aligning the budget, the PMS and the IDP.

## 2. PROCESS PLAN

As with the previous years, there is a need for the preparation and adoption of a process plan as emphasized in paragraph 1.2 above. This plan is also aligned with the District Process and Framework Plan to provide the linkage and binding relationships between the district and local municipality in the region.

## 3. ORGANISATIONAL ARRANGEMENT

Council	<ul style="list-style-type: none"> <li>• Political oversight over the IDP</li> </ul>
IDP Steering Committee	<ul style="list-style-type: none"> <li>• Responsible for assisting the Council in its oversight role.</li> <li>• Assumes the role of the political champion of the process (this is particularly important and critical as it allows for the Councilors to take ownership of the IDP process).</li> <li>• Forms the link between Council, management and the representatives forum</li> </ul>
Municipal Manager	<ul style="list-style-type: none"> <li>• Overall responsibility for the IDP</li> </ul>
IDP Co-ordinator	<ul style="list-style-type: none"> <li>• Responsible for managing the IDP process through</li> <li>• Facilitation of the IDP process,</li> <li>• Coordinating IDP related activities including capability building programmes,</li> <li>• Facilitating reporting and the documentation thereof,</li> <li>• Making recommendations to the IDP Steering Committee</li> <li>• Liaising with the PIMS Centre and Provincial Sector Departments,</li> <li>• Providing secretariat functions for the IDP Steering Committee and the Representative Forum</li> </ul>
The Financial Manager	<p>Ensures that the municipal budget is linked to the IDP. Responsible for:</p> <ul style="list-style-type: none"> <li>• Co-ordinating the budget implementation in a manner aim at addressing the issues raised in the IDP,</li> <li>• Development of the 3 year integrated financial plan</li> </ul>
IDP Steering Committee	<p>The technical working team, also the “driver of the bus” consist of 11 members of whom 3 are departmental managers, 1 Municipal Manager, 7 Councilors</p> <ul style="list-style-type: none"> <li>• This committee meets monthly, chaired by Mayor</li> <li>• It is responsible for IDP process, resources and outputs,</li> <li>• It oversees the monthly status reports that are received from departments,</li> <li>• It makes recommendations to Council,</li> <li>• It oversees the meetings of the IDP Representative Forum,</li> <li>• The committee is responsible for the process of integration and alignment.</li> </ul>

IDP Representative Forum	<p>Representatives from local organisational and communities. It forms the interface for community participation in the affairs of the council.</p> <p>Operates on consensus basis in the determination of priority issues for the municipal area,</p> <p>Participates in the annual IDP review process,</p> <p>Meets quarterly to discuss progress and shortcomings,</p> <p>All the wards within the municipal area are represented on this forum through the Ward Committee members.</p>
PIMS Centre	<p>Situated at the Pixley ka Seme District Municipality.</p> <ul style="list-style-type: none"> <li>• The centre plays a supporting role to the local municipality,</li> <li>• It contributes to the IDP process by facilitating activities and process, especially during difficult times,</li> <li>• Facilitates the process of alignment amongst the municipalities in the district and the various other sector departments.</li> </ul>
Budget Steering Committee	<p>The budget steering committee (BSC) is responsible for the budget process</p> <p>The composition of the BSC is as follows:</p> <ul style="list-style-type: none"> <li>• Mayor (Chairperson)</li> <li>• Municipal Manager</li> <li>• Chief Financial Officer</li> <li>• Manager responsible for IDP</li> <li>• Other managers will be co-opted, when necessary.</li> </ul> <p>Councilors may attend any meetings of BSC and will be co-opted, when necessary, to smoothen the process.</p> <p>2.2 Other stakeholders to be consulted:</p> <ul style="list-style-type: none"> <li>• Ward Committees and Ward communities</li> <li>• Local Economic Steering forum</li> <li>• Local Formers / Emerging Farmers Committee</li> <li>• IDP Rep Forum</li> </ul>

Table 11: Organizational Structure

#### 4. **ACTION PROGRAMME WITH TIME FRAME AND RESOURCE REQUIREMENTS**

As mentioned earlier, the new legislation and processes like the Municipal Finance Management Act, budget process and PMS compel municipalities to align the planning process (IDP) with all these other processes. Adding to this, it is sometimes a difficult task to align projects of the IDP with Provincial and National Departments as well as aligning timeframes with the District Municipality. All of this did take place in the previous IDP processes, but it is recognized that room for improvement does exist. The Municipality will increase its efforts to try and consider that various Provincial and National Department's efforts in the IDP and also try to improve the process of budget allocations to the Local Municipalities.

The table below illustrates the various phases of the planning process, linking it with the budget process and PMS process in order to accomplish proper alignment. This is also the schedule for the budget and IDP process stipulated in Section 21 of the MFMA.

#### **SCHEDULES FOR THE IDP, PMS AND BUDGET PROCESS FOR THE 2020/2021 FINANCIAL YEAR**

To note that this is a guideline for implementation of IDP and Budget process, the dates will be allocated later.

LEGISLATIVE DATE	BUDGET PROCESS	INTEGRATED DEVELOPMENT PLAN (IDP)	PERFORMANCE MANAGEMENT SYSTEM PROCESSES (PMS)
July 2019	<ul style="list-style-type: none"> <li>• Financial Statements-S 71 report (June) to Mayor</li> <li>• Submit Draft SDBIP within 14 days after approval of the 2019/2020 budget</li> <li>• Submit quarterly report to Council on Budget implementation and the financial affairs of the municipality (S 52 report)</li> <li>• Approval of SDBIP for 2019/2020 – within 28 days after budget approval</li> <li>• Plan annual report 2019/20</li> </ul> <p><u>Mayor and Council:</u></p> <ul style="list-style-type: none"> <li>• Mayor begins planning for next three- year budget in accordance with co-ordination role of the budget process.(MFMA S53)</li> <li>• Planning includes review of the previous year’s budget process and completion of the Budget Evaluation Checklist.</li> </ul> <p><u>Administration:</u></p> <ul style="list-style-type: none"> <li>• Accounting officers and senior officials of municipality begin planning for the next three-year budget.</li> <li>• Accounting officers and senior officials of municipality review options and contracts for service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the establishment of organizational structures (IDP/Budget Steering Committee, Technical Committee, &amp; IDP Rep, Forum)</li> <li>• Assessment of the previous IDP/Budget performance, level of development, backlogs &amp; disaster; Review previous year’s processes, what worked well, what didn’t, where to improve and issues to address for legislative compliance of the Budget Evaluation Checklist (BEC); Human resources challenges and gaps.</li> <li>• Drafting of the Process Plan for the compilation of the 2019/2020 review IDP and Budget</li> </ul>	<ul style="list-style-type: none"> <li>• 4<sup>th</sup> Quarterly evaluation of Sec 57 employees</li> <li>• 4<sup>th</sup> Quarterly report on performance review and budget implementation</li> <li>• Annual PMS evaluation</li> <li>• Annual evaluation SDBIP</li> <li>• Publish the 2019/2020 performance agreement and performance plan within 14 days on the municipal website.</li> <li>• Submit the 2019/2020 performance agreement to MEC, Co-operative Governance and Traditional Affairs.</li> </ul>
August 2019	<ul style="list-style-type: none"> <li>• Financial Statements-S 71 report (July) to Mayor</li> <li>• Mayor to table the planning and budget schedule of Key deadlines for the 2020/2021 financial year and draft budget related policies to Council</li> <li>• Submission of Annual financial statements (2018/19) to Council</li> <li>• Establishment of budget office, consultation forums and BCSC (Budget Coordinating Steering Committee)</li> <li>• Review of Annual Financial statements by Audit Committee</li> <li>• Submit Annual Financial statements to Auditor General, PT, NT and MEC</li> </ul>	<ul style="list-style-type: none"> <li>• Mayor tables the process plan for the compilation of the 2020/2021 review IDP and Budget to Council for approval before 31 August 2019.</li> <li>• Advertise the approved process plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Receive monthly performance datasheet for departmental and Section 57 performance</li> <li>• Monitor SDBIP</li> <li>• Start compiling report on Annual performance of 2018/19</li> <li>• Preparation for the compilation of the 2018/2019 Annual Report</li> </ul>
September 2019	<ul style="list-style-type: none"> <li>• Submit Financial statements –S 71 (Aug) to Mayor</li> <li>• Review of budget process</li> </ul>	<ul style="list-style-type: none"> <li>• Council through the IDP review process determines strategic</li> </ul>	<ul style="list-style-type: none"> <li>• PMS Coordinating Committee meeting</li> </ul>

	<p>( Budget Evaluation Checklist) for 3 years</p> <ul style="list-style-type: none"> <li>• Budget offices of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives (Proposals for tariffs-rates and taxes. Allocations and policies)</li> <li>• Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity roads etc...)</li> <li>• Advertise for public hearings.</li> </ul>	<p>objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans. Reconsider strategies and objectives accordingly</p> <ul style="list-style-type: none"> <li>• IDP Workshop initiating and kick –starting the IDP review process</li> <li>• Start with the review of the IDP</li> <li>• Analyze Integrated Sector Programmes like Environmental programmes, Waste Management programmes, Provincial and District G &amp; DS, comments from Province etc.</li> <li>• IDP Steering committee meeting</li> <li>• Advertise public hearings</li> </ul>	<p>interacting on 2018-2019 annual reports</p> <ul style="list-style-type: none"> <li>• Receive monthly performance datasheets for departmental and Section 57 Employees (Annual performance contracts)</li> <li>• Monitor SDBIP</li> <li>• Advertise public hearings</li> </ul>
October 2019	<ul style="list-style-type: none"> <li>• Financial statements –S 71 (September ) submitted to Mayor</li> <li>• Budget workshops for 2020/2021 and 3 years budget Agenda:</li> <li>• Planning-Accounting officer does initial review of national policies and budget plans and potential increases of bulk resources with function and department officials.</li> <li>• Inputs and managers according to A B C system (MFMA 35,36,42, MTBPS)</li> <li>• Budget workshops for managers and supervisors</li> <li>• Budget implementation (July – Sept) Mayor and Council</li> <li>• Submit feedback of budget implementation (June – Sept) to Council</li> <li>• Feedback on progress up to date (Budget implementation)</li> <li>• Expectations for rest of 2019-20 year</li> </ul>	<ul style="list-style-type: none"> <li>• IDP Road show identifying community needs to inform budget (visiting all wards)</li> </ul>	<ul style="list-style-type: none"> <li>• Mayor table annual PMS/performance report for 2018/2019 council</li> <li>• Submit the 2018/2019 Annual Performance Report to the office of the Auditor-General</li> <li>• Submit the 2018/2019 Annual Performance Report to the MEC for Local Government</li> <li>• Receive monthly performance datasheets for departmental and Section 57 Employees (Performance contracts)</li> <li>• 1<sup>st</sup> Quarterly evaluation of Sec 57 employees</li> <li>• <u>1<sup>st</sup> Quarterly report on performance review of budget implementation</u></li> <li>• 1<sup>st</sup> Quarterly evaluation on organizational PMS</li> <li>• Public hearing on Annual Report jointly with IDP budget roadshow (visiting all wards)</li> </ul>
November 2019	<ul style="list-style-type: none"> <li>• Financial statements-S 71 (October ) submitted to Mayor</li> <li>• Preparation and consolidating of draft budget for 20-21</li> <li>• Draft budget submitted to BSC</li> <li>• Review with managers</li> <li>• Finalize rates and taxes 2020/21</li> </ul>		<ul style="list-style-type: none"> <li>• Continue Public hearing on Annual Report jointly with IDP budget roadshow (visiting all wards)</li> <li>• Receive monthly performance datasheets for departmental and Section 57 Employees.</li> </ul>

	<ul style="list-style-type: none"> <li>• Rates and taxes- proposed tariffs submitted to Council</li> <li>• Receive audit report for 2018/2019 AFS from AG</li> <li>• Ensure that Audit action is compiled to address issues.</li> </ul>		<ul style="list-style-type: none"> <li>• Monitor SDBIP</li> <li>• PMS Coordinating meeting to interact on quarter reports</li> <li>• Submit 1<sup>st</sup> Quarter report to Council</li> </ul>
December 2019	<ul style="list-style-type: none"> <li>• Monthly financial statements –S 71 (November) submitted to Mayor</li> <li>• Council approves (draft) rates and taxes policies for 19/20 (MSA)s 74-75</li> <li>• Accounting officer and senior officials consolidate and prepare proposed budget and plans for the next financial year taking into account previous year's performance as per audited financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• Design of project proposals, setting of project objectives, targets and indicators.</li> <li>• Continue with integrated programmes and finalize integrated programmes. Integration of sector plans into the IDP to address community basic service needs e.g. water, roads, electricity etc.</li> <li>• Amend IDP documentation accordingly</li> </ul>	<ul style="list-style-type: none"> <li>• Receive monthly performance datasheet for departmental and Section 57 Employees</li> <li>• Monitor SDBIP</li> </ul>
January 2020	<ul style="list-style-type: none"> <li>• Financial statements-S 71 (December) submitted to Mayor</li> <li>• Budget implementation progress report (October – December ) to Mayor</li> <li>• Annual Budget for 19-20 as on 31 December 2019 submitted to Budget Steering Committee (BSC) for mid-year reviewing</li> <li>• Reviewing 19-20 budget and submit adjustment budget if so required.</li> <li>• Corrective measures as part of oversight report for the previous years audited financial statements and annual report</li> <li>• Accounting officer reviews proposed national and provincial allocations to municipality from NT and PT for incorporation into the draft budget for tabling. (proposed national and provincial allocations for three years must be available by 20 January) (MFMA S 36)</li> </ul>	<ul style="list-style-type: none"> <li>• Submission of Project lists to Pixley ka Seme District Municipality not later than 31 January 2020 (Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year.) (MFMA S 37 (2))</li> </ul>	<ul style="list-style-type: none"> <li>• Table the 2018/2019 Annual Report before Council</li> <li>• Submit Annual PM Report to Audit General and to Provincial and National for approval from Council</li> <li>• Receive monthly performance datasheet for departmental and Section 57 Employees</li> <li>• Finalise the Mid-year Budget and performance Assessment Report and submit to: <ul style="list-style-type: none"> <li>-Mayor</li> <li>-Council</li> <li>-Provincial Treasury</li> <li>-National treasury</li> </ul> </li> <li>• 2<sup>nd</sup> Quarterly evaluation of Section 57 employees</li> <li>• <u>2<sup>nd</sup> Quarterly Report on performance review and budget implementation</u></li> <li>• 2<sup>nd</sup> Quarterly evaluation on organizational PMS</li> <li>• Review SDBIP in line with mid-year budget review</li> </ul>
February 2020	<ul style="list-style-type: none"> <li>• Financial Statements-S 71 (January) submitted to Mayor</li> <li>• Workshop on draft budget 20-21 - Councilors and management</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of IDP with National and Provincial Plans.</li> <li>• Presentation of integrated programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Receive monthly performance datasheet for departmental and Section 57 Employees</li> </ul>



	<ul style="list-style-type: none"> <li>Information from PKSDM for 20/21 budget</li> <li>Consultation with NT and PT</li> <li>Council approve revised/adjustment budget 19/20</li> <li>S72 PT engagement-Mid- year Performance and assessment visits and thereafter submission of Budget/Performance assessment report to Council.</li> <li>Accounting officer finalizes and submits to Mayor proposed draft budgets and plans for next three-year budgets (MTREF) taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report. Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year. (MFMA S 37 (2) )</li> </ul>	<ul style="list-style-type: none"> <li>and projects by departments to the IDP and Budget Steering Committee.</li> <li>Report to Council on the progress of the project implementation for IDP</li> </ul>	<ul style="list-style-type: none"> <li>Produce first draft balance scorecard</li> <li>Monitor SDBIP</li> <li>PMS Coordinating committee to interact on mid-year evaluation reports</li> <li>Public participation and comments on the Annual Report for 2018/2019</li> <li>Consolidation of the feedback received from the public on the 2018/2019 Annual Report</li> <li>Table the oversight report to Council after consideration of the 2018/2019 Annual report</li> <li>Adopted Annual Report is published on the website, sent to local newspapers and make copies available to the public (municipal offices/Libraries) etc...</li> </ul>
March 2020	<ul style="list-style-type: none"> <li>Financial Statements –S 71 (February) submitted to Mayor</li> <li>Mayor tables municipality Draft operating and capital budget (20/21) in Council and also tables proposed revisions to the IDP together with reviewed budget related policies. (MFMA S 16;22;23;87 &amp; MSA S 34)</li> <li>Draft budget &amp; IDP (20/21) submitted to NT and PT (MFMA S 22).</li> <li>Notification of approval of draft budget &amp; IDP to all stakeholders.</li> <li>Accounting officer reviews any changes in prices for bulk resources/services from authorities. (MFMA S 42)</li> </ul>	<ul style="list-style-type: none"> <li>Produce first draft IDP for 2020/21</li> <li>Tabling of the draft IDP to the IDP and Budget Steering Committee.</li> <li>Tabling of draft Organizational Structure to Senior Management.</li> <li>Workshop for Councilors on Draft IDP &amp; Budget</li> <li>Mayor tables draft IDP together with budget to Council.</li> <li>Tabling of the Final Organizational Structure before Council</li> <li>Interaction with sector department to integrate funding</li> </ul>	<ul style="list-style-type: none"> <li>Receive monthly performance datasheet for departmental and Section 57 Employees</li> <li>Finalise Departmental Programmes</li> <li>Monitor SDBIP</li> <li>Table first draft of SDBIP with IDP and budget</li> </ul>
April 2020	<ul style="list-style-type: none"> <li>Financial Statements –S 71 (March) submitted to Mayor <ul style="list-style-type: none"> <li>Consultations with NT &amp; PT for finalizing grants and also finalise plans for water, sanitation, electricity etc...(MFMS S 21)</li> <li>Budget implementation (Jan-March) to Mayor and to Council</li> <li>Finalizing draft budget 19-20 and Draft IDP in accordance with consultative processes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>MM publish the draft IDP and related documents for comments in local papers</li> <li>Advertise and then conduct public hearings on IDP</li> <li>Finalize inputs from sector Departments</li> <li>Consult Rep Forums</li> </ul>	<ul style="list-style-type: none"> <li>Submit the Annual Report and Oversight Report Provincial legislature</li> <li>Make public the Oversight Report with seven (7) days of adoption of the Annual Report</li> <li>Review monthly</li> </ul>

	<p>and feedback received and also taking account the results from the third quarterly review of the current year.</p> <ul style="list-style-type: none"> <li>• MM publish draft budget and related documents in local newspapers, libraries, municipal offices and invite public representation and comments</li> <li>• Conduct public hearings on the draft budget with community, traditional authorities, key stakeholders, District municipality, provincial and national departments</li> <li>• Budget sent to Provincial and National Treasury</li> <li>• Draft system of delegations</li> <li>• PT Budget Benchmark Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Report to Council on project implementation IDP</li> </ul>	<p>performance datasheets for departmental and Section 57 Employees</p> <ul style="list-style-type: none"> <li>• 3rd Quarter evaluation Section 57 employees</li> <li>• <u>3rd Quarter Report and performance review of budget implementation</u></li> <li>• 3rd Quarter evaluation of organizational PMS</li> </ul>
May 2020	<ul style="list-style-type: none"> <li>• Financial Statements s 71 (April) to Mayor</li> <li>• Conduct public hearings on the budget, Council debate and consider inputs and comments received from local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration.</li> <li>• Amend budget accordingly</li> <li>• Accounting officer assists the Mayor in preparing the final budget documentation for consideration.</li> <li>• -Mayor table 2020/21 Budget and IDP for adoption not later than 31 May 2020 taking into account consultative processes and any other new information of a material nature.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider inputs and comments received from the public participation process</li> <li>• Amend document accordingly-incorporate into the final IDP.</li> <li>• Present the consolidated IDP to the IDP/Budget Steering Committee.</li> <li>• Workshop for Councilors on final IDP/Budget</li> <li>• Mayor tables 2020/2021 IDP for adoption together with budget (not later than 31 May 2020)</li> </ul>	<ul style="list-style-type: none"> <li>• Receive monthly performance datasheets for departmental and Section 57 Employees</li> <li>• Monitor SDBIP</li> <li>• PMS Coordinating Committee to interact on 3<sup>rd</sup> quarter reports</li> </ul>
June 2020	<ul style="list-style-type: none"> <li>• Financial statements S 71 (May) to Mayor</li> <li>• Council to approve the annual budget by resolution, setting taxes and tariffs, approving changes to the IDP and Budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year.</li> <li>• Submit copies of the approved operating and capital budget for 2020/2021 and outer years to Provincial and National Treasuries</li> </ul>	<ul style="list-style-type: none"> <li>• Advertise the approved IDP- MM place notice that the Council has adopted its reviewed IDP</li> <li>• Submit the approved IDP to the MEC of Local Government within 10 days after adoption by Council</li> <li>• Submit the final IDP to National Treasury.</li> </ul>	<ul style="list-style-type: none"> <li>• Advertise the draft SDBIP and Section 57 performance agreement for inputs from community</li> <li>• The Accounting officer submits to the Mayor not later than 14 days after approval of the budget, draft of the 2020/2021 SDBIP and annual performance agreement as required by S 57 (1) of the MSA.</li> </ul>

	<p>in both printed and electronic format.</p> <ul style="list-style-type: none"> <li>Accounting officer publishes the approved budget and IDP for 2020/2021 on the website of the municipality.</li> <li>Finalizing of all plans and budget working papers to implement the approved budget.</li> <li>Council must review and finalise a System of Delegations Financial year (20-21) ends</li> </ul>		<ul style="list-style-type: none"> <li>Mayor must approve the SDBIP within 28 days after approval of the budget for 2020/2021.</li> <li>The Mayor to ensure that annual performance agreements are concluded and signed in terms of Section 57 (2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and the SDBIP. The Mayor must submit the approved SDBIP and performance agreement to Council, MEC for local government and makes information public within 14 days after approval.</li> <li>Receive monthly performance data sheets for departmental and Section 57 Employees.</li> <li>Review organizational PMS indicators and set targets for 2020/21</li> </ul>
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Table 12: IDP and Budget Time Schedule



## 7. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

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### a. The Vision & Mission of the Municipality

The Municipality's Vision:

- **“We as Thembelihle Municipality, commit ourselves to a better life for all through sound economic growth, provision of basic infrastructure, disciplined social welfare, a sound and participative institutional management system, as we stand united.”**

The Municipality's Mission:

To improve the lives of citizens of Thembelihle Municipal area through:

- **Quality Service Delivery**
- **Have a two-way approach to communication and service**
- **Ensuring a safe and enabling environment for economic growth**
- **Ensuring integrated sustainable human settlements**
- **Ensuring equal opportunities**

### b. The IDP and Strategic Focus Areas

The IDP was reviewed and outlines the intent of the Municipality in terms of the eight strategic focus areas, which it has agreed are required to overcome the challenges it is facing, achieve its vision, and implement its other strategic considerations.

These eight strategic focus areas from the framework of the IDP and function as internal strategic levers to facilitate shared growth and development and enhance urban efficiency and institutional effectiveness.

The way in which the Municipality's vision is supported by the eight strategic focus areas is shown in the figure below:

#### **VISIONARY GOALS:**

- a) A prosperous Municipality
- b) Effective and equitable service delivery
- c) A well-governed and efficiently run administration

#### **STRATEGIC FOCUS AREAS:**

- 1) Shared economic growth and development
- 2) Sustainable urban infrastructure and services
- 3) Energy efficiency for a sustainable future
- 4) Public transport systems
- 5) Integrated human settlements
- 6) Safety and security
- 7) Health, social and community development
- 8) Good governance and regulatory reform, urban efficiency, institutional, effectiveness

The Integrated Development Plan is attached as Annexure 12.

### c. The Intergovernmental Development Agenda for Thembelihle Municipality

The Municipality engages with the Provincial and National Government in a structured and functional manner. At a technical and administrative level, engagements take place at sectoral (functional) level. This is aimed at ensuring the Municipality derives meaningful benefit through such interaction by ensuring the better planning, coordination and accountability are achieved, that the Municipality's strategic objectives of infrastructure investment for economic growth, service delivery excellence and constitutional efficiency are enhanced, and resources better and efficiently utilized. In short, it is aimed at ensuring

the Municipality extracts value and benefit for its participation in intergovernmental and international cooperative relations.

## 8. OVERVIEW OF BUDGET ASSUMPTIONS

Circular 85 from National Treasury states that as a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Municipalities were therefore required to consider the following when compiling the 2020/21 MTREF budget:

- Improving the effectiveness of revenue management processes and procedures;
- Paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities;
- The affordability of providing free basic services to all households; and
- Curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The Municipality faced similar challenges in preparing the 2019/2020 MTREF as in the 2018/2019 MTREF:

1. Lower than planned revenue collection ratios are currently achieved, which in turn required a re-assessment of previously modeled rates revenue for future years. The collection ratios of major revenue sources were consequently adjusted downwards to reflect realistic and sustainable flows over the 3-year MTREF period. This aspect is currently receiving priority attention to improve on the collection rate of the municipality.
2. The actual expenditure incurred on the repairs and maintenance of infrastructure, especially on water infrastructure with pipes bursting and the replacement of the old asbestos pipes with pvc type pipes.
3. Service delivery vehicles are very old and are breaking down more regularly and subsequent repair cost is gradually on the increase year after year.
4. With the National Municipal Infrastructure Unit of the Department of Cooperative Governance and Traditional Affairs, declining to finance roads in town and previous “white” areas, more and more pressure is put on the repair and maintenance of the tar roads in town that is very old.
5. Roads infrastructure in the CBD area can no longer be repaired but is at a stage where it must be resealed and in other places even ripped up and rebuild in full.
6. The global financial meltdown and the effect it had on the ever increasing unemployment rate, has caused huge increases in the poor communities and lead to an increased number of households being unable to pay for municipal services utilized and increase the indigent figures dramatically.
7. This however, has a huge effect on the main source of income of the municipality which is rates and taxes for services rendered.

The combined effect of the above-listed economic/financial factors and consequential impact on departmental budgets resulted in a substantial deficit starting position on the MTREF Rates-funded portion.

Reversing the unacceptable deficit position on Rates required several iterative changes to the multi-year targets on both revenue and expenditure across all services, while simultaneously retaining the strategic links to and focus on the IDP and Budget Prioritization Model.

The Budget Steering Committee further placed particular emphasis on the following aspects to influence the outcome of the financial / MTREF scenario's presented to it:

- ✓ a differentiated approach to consideration of budgetary amendments across services, thereby giving effect to the strategic intent of the Budget Prioritization Model;
- ✓ further specific considerations to inform budgetary amendments or allocations were (factors to impact positively on budget allocations):

- services which promote external service delivery;
  - services responsible for improvement to citizens' quality of living environment;
  - services responsible for hard infrastructure – based economic growth;
  - Services responsible for revenue collection.
- ✓ The limited financial resources available for additional allocations meant that few new projects or initiatives were to receive such budgetary allocations.

### **Financial modeling**

In addition to the above, further principles applied to the MTREF in determining the affordability envelope included:

- ✓ Higher than headline CPI revenue increases with regards Property rates at 6.1% increase to the extent that they affect and support Council's operational activities of relevant services.
- ✓ A high percentage capital expenditure implementation rate was assumed, based on current spending patterns.
- ✓ Improved collection rates, based on collection achievements to date, incorporating improved success anticipated on selected revenue items taking in consideration the debt collection strategy.
- ✓ Higher than nationally projected inflation provisions for repairs and maintenance, to attain nationally benchmarked levels on this expenditure item, and ensure/enhance the preservation of the Municipality's infrastructure.

### **Key Financial Indicators in the MTREF**

#### **Headline Consumer Price Index (CPI) – Inflation Outlook**

Headline CPI projected over the MTREF is an average of CPI forecasts from various financial institutions and the Bureau of Economic Research (BER).

The CPI increase for 2020/21 budget was set at 5.4%,

The MTREF-based revenue and expenditure projections assumed inflation-linked annual adjustments between 5.9% and 6.2% respectively for the 3-year budget period of 2020/2021, 2021/2022 and 2022/2023.

### **EXPENDITURE FRAMEWORK**

#### **Salaries, wages and related staff costs**

The promulgation of the Salary and Wage Collective Agreement by the South African Local Government Bargaining Council (SALGBC) provided the general salary adjustment guidelines for the period 2020/2021 is 6.25%.

#### **General expenses**

Items with the general expenses category were increased in proportion on the projected CPI increases over the MTREF.

However, as part of the initiative to attain affordable budget, general expenses were reduced.

#### **Repairs and maintenance**

Serious repairs and maintenance and renewal backlogs exist in relation to municipal infrastructure, particularly municipality's electricity, water reticulation, sewage, storm water and roads systems. It is noted that these backlogs are impacting negatively on the financial sustainability of municipalities and on the reliability and quality of municipal services, as well as municipality's contribution to supporting economic growth.

- National Treasury is very concerned about the low levels of expenditure on repairs and maintenance and the renewal of existing infrastructure in most municipalities. Municipal councils, Mayors and municipal managers are therefore urged to ensure that allocations to repairs and maintenance, and the renewal of existing infrastructure are prioritised. In this regard:
- Therefore, more emphasis will be placed on this budget vote from this year going forward.

## **REVENUE FRAMEWORK**

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 4 to 5 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 6.1 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

### **Maximising the revenue generation of the municipal revenue base**

Municipalities are required to make a greater effort to integrate the work of their Town Planning and Valuations functions. This will ensure that every new property development, improvements to existing properties and changes to property usage and other such influences are correctly processed and filtered to the billing system. This will enable timeous and accurate updating of municipal accounts. The completeness, correctness and validity of the General Valuation Roll and supplementary valuations as well as resolving any objections to property values within the prescriptions of the Municipal Property Rates Act, 2004 (Act No.6 of 2004), are fundamental to protecting and growing the municipal revenue base.

In addition, the necessary reconciliations must be in place to ensure that the correct tariffs are applied for property rates and all trading services, that the correct accountholders are billed and that the municipal accounts are reaching the customers who are responsible for payment. These are among the minimum requirements of creating a “positive and reciprocal relationship between persons liable for making payment to the municipality and the municipality or service provider” as per section 95 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

When municipalities fail to achieve these minimum legally prescribed requirements there is a greater risk of burdening customers with higher tariff increases to compensate for operational inefficiencies. It is therefore necessary for municipalities to ensure that their tariffs are adequate to, at the minimum, cover the costs of bulk services and also to ensure that all properties are correctly billed for property rates and all services rendered.

### **Eskom bulk tariff increases**

In terms of the Multi-Year Price Determination (MYPD) for Eskom’s tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 6.9 per cent has been approved for the 2020/21 financial year.

Municipalities were urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability.

### **Water and sanitation tariff increases**

The 2015 Municipal Services Strategic Assessment report (MuSSA) issued by the Department of Water and Sanitation shows that the majority of municipal Water Service Authorities (WSAs) are operating their water services at a loss. This performance is as a result of, amongst others, implementation of

tariffs that are not cost-reflective and unsubstantiated institutional arrangements between districts (WSAs) and local municipalities

It is a must that the municipality improves revenue generation from this service through better financial management, demand management, maintenance and meter reading as it will enable payment of creditors such as water boards. This baseline information is critical to tariff setting and budget compilation. Municipalities in arrears with water boards should ensure that their payment arrangements are effected in their 2020/21 MTREF budget.

The previous MFMA budget Circular No. 78 advised municipalities that had historically set tariffs too low to facilitate cost recovery, to develop a pricing strategy to phase-in the necessary tariff increases in a manner that distributes the impact on consumers over a period of time. The introduction of mSCOA provides for a costing segment which, when correctly utilised, will assist the municipality to determine the full cost of rendering trading services such as water and electricity.

## **National Grants**

### ***Equitable Share***

The Constitution provides that each sphere of government is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. The equitable division of revenue takes into account the functions assigned to each sphere under the Constitution and the capacity of each, government to pay for these functions through own receipts and revenues. The local government equitable share allocations supplement municipalities' own revenue sources for the provision of basic services to poor households within their areas of jurisdiction.

Initiatives are currently being pursued to assess the application of the equation for the Municipality to ensure that the allocation received by die Municipality is equitable and fair. The annual Division of Revenue Act (DORA) published the equitable share allocations. The following indicative allocations, as published in the 2019/2020 Division of Revenue Bill, were modeled:

2020/2021 – R 59 519 000  
2021/2022 – R 62 167 000  
2022/2023 – R 63 335 000



## 11. OVERVIEW OF BUDGET FUNDING

---

### Fiscal Overview

#### 1. 2020/2021 and 2021/2022 to 2022/2023 projected financial performance

##### 1.1 Operating Budget

The followings provisions made:

- Repairs and Maintenance (Primary) of Infrastructure
- Inflation related increases to major expenditure components, such as the staff budget (salary level increases).

##### 1.2 Capital Budget

The capital budget increased from R16 million in 2019/2020 to R28 million in 2020/2021. The following funding available:

- MIG
- INEP

#### 2. Medium Term Outlook: 2020/2021 to 2022/2023

##### Operating Budget

The ensuing table reflects the operating budgets

	2020/2021 R'm	2021/2022 R'm	2022/2023 R'm
Operating Budget	99	111	101

Table 16: Medium term operating budget

##### Capital Budget

The ensuing table reflects the capital budget as well as the funding sources in the medium term:

	2020/2021 R'm	2021/2022 R'm	2022/2023 R'm
Capital Budget	28	40	22
<b>Funded as follows:</b>			
National Grant Funding	28	40	22
Provincial Grant Funding			

Table 17: Medium term capital budget and funding sources

The funding sources listed below as appropriated towards the following major projects on the capital budget:

National Grant Funded

- MIG
- INEP

**ANNEXURE 22: POLICIES**

# THEMBELIHLE



LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

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# Appointment of Temporary Employees Policy

THEMBELIHLE LOCAL MUNICIPALITY

APPOINTMENT OF TEMPORARY STAFF POLICY.

## **1. PURPOSE**

The purpose of the policy is to provide principles and methodology for the recruitment and selection of temporary employees taking into account that the operational needs for temporary employment differs from filling vacancies on a longer term/permanent on the approval organizational structure.

## **2. POLICY OBJECTIVES**

The objectives of this policy are:

- 2.1 To ensure a fair process that ensures consistency in the recruitment and selection of temporary staff.
- 2.2 To recognize the operational requirements for the temporary employment contracts.
- 2.3 To ensure that unemployed low-skilled or semi-skilled members of the community have fair access to temporary employment as part of the municipality's contribution to job creation.
- 2.4 To ensure applicants are protected from both corruption and nepotism during the processes of accessing job opportunities.

## **3. POLICY STATEMENT**

The temporary recruitment and selection policy is aimed at creating capacity to enhance effective and efficient service delivery.

The request for a temporary appointment must be motivated by the employer department in terms of operational needs.

Changes to Basic Conditions of Employment Act, 75 of 1997(as amended) may lead to changes of this policy and the policy must be revised after approval of the proposed bill.

## **4. SCOPE OF THE POLICY**

This policy applies to all unemployed job seekers appointed in the municipality on a temporary basis for contracts of less than twelve (12) months and excludes employees from the extended public Work Programme, specific job creation projects , or any other Provincial or National government driven projects.

## **5. LEGISLATIVE FRAMEWORK**

- 5.1 Amended system Act No 7 of 2011
- 5.2 Employment Equity Act 55 of 1998
- 5.3 Basic Conditions of employment Act No. 75 of 1997 ( Updated 2008)

## **6. DEFINITIONS**

- 6.1 HR- Human Resources Section
- 6.2 Nepotism- displaying favoritism close friends and family during the recruitment process.
- 6.3 The Municipality- Thembelihle Local Municipality as established in 5 December 2000
- 6.4 Suitably qualified- a person who has a combination of formal qualifications, prior learning, relevant experience or capacity to acquire, within a reasonable time, the ability to do the job.
- 6.5 Local Labour forum (LLF) – as defined in the SALGBC Main collective agreement.
- 6.6 Electronic data Base – electronic system containing personal information, qualifications, skills and experience of potential candidates for appointment on a temporary basis.

## **7. TEMPORARY RECRUITMENT AND SELECTION PROCESS**

- 7.1 The Municipality shall establish a central electronic data base, of jobseekers that are eligible to perform work for the Municipality.
- 7.2 Eligible for inclusion on the data base shall be:
  - 7.2.1 The person must be unemployed at the time of inclusion on the data base and when the opportunity becomes available;
  - 7.2.2 The person must be a South African citizen;
  - 7.2.3 The person must be a resident of the Thembelihle Local Municipal area
  - 7.2.4 The person must be a legal employable age;
  - 7.2.5 The person must be physically fit to work in relation to requirements of position;
  - 7.2.6 Registration on the database is not a guarantee of employment;
  - 7.2.7 People who applies for a position, has the minimum qualification, is unemployed and is not appointed may be included in the database. All candidates that were invited to interviews and not appointed, but are possible candidates for appointment may be put on the database.

7.2.8 The application forms can be obtained from the Human Resource Management section or downloaded from the website.

7.3 Selections from the data base for a position will be based on random electronic selection from a specific skill group. When selection is done in terms of item 7.7 below.

7.4 The department who request a temporary appointment must provide a written motivation indicating the operational reasons for the temporary appointment. The motivation must indicate the post on the organogram as well as the cost centre from which the appointment will be financed. The motivation must be signed by the relevant Executive manager of the directorate in which the appointment is requested and must be submitted to HR. HR must obtain the input from the Executive Manager: Corporate services before submitting it to the Municipal Manager for approval.

7.5 In circumstances where no post exists on the organogram, the Municipal Manager must approve the post(s) in writing and the period of the appointment.

7.6 **Temporary appointments for less than three (3) months** will be done by appointing the first person(s) selected from the database provided they meet the minimum requirements for appointment and are unemployed at that date.

7.7 **When making temporary appointments for more than three (3)** a shortlist of at least three(3) qualifying candidates will be compiled and the candidates will be interviewed before appointing the preferred candidate(s).

7.7.1 The Human Resources section will contact the candidates selected by the department to enquire on their availability and invite them for a departmental interview.

7.7.2 A member of HR will oversee and keep record of the proceedings.

7.7.3 HR will inform the recommended candidate and offer him/her the temporary position and ensure that the necessary paperwork is completed after approval of appointment by the Municipal manager.

7.7.4 No person may start work without the written approval of the Municipal Manager and at least an appointment letter containing the terms and conditions of employment.

7.8 HR will rotate the names of the candidates that were already granted an opportunity to the bottom of the list when their term of contract has come to an end. Employees will not be granted a further contract after the termination of his/her

contract, unless they have reached the top of the database list again. The Municipal Manager may approve the deviation from this principal on good cause shown.

7.8.1 In exceptional circumstances the department may motivate committee , for the renewal or extension of the temporary employment contract of a specific temporary employee.

7.8.2 A recommendation will be provided by the Executive Manager to the Municipal Manager for approval

7.9 No employee may make any changes to the order of the names on the list, other than the relevant recruitment clerk. Changes made illegally will be viewed as serious misconduct and the appropriate disciplinary action will be taken against such employees.

7.10 HR must report on a monthly basis to the LLF and the Corporate Services Portfolio Committee on the temporary appointments.

7.11 The chairperson of the Corporate Services Portfolio committee must be informed of all recruitment processes and may attend the interviews in person or assign a member of the portfolio committee to attend on his/her behalf. The councilor may not be involved in the process and will only play the role of an observer.

7.12 The trade unions must be informed of the recruitment process five(5) days prior to the interviews and a representative of each union may attend the process as an observer.

## **8. AUTHORIZATION**

The Municipal Manager/assignee will authorize these appointments.

## **9. FREQUENCY OF PAYMENTS**

Employees will be remunerated on a monthly basis after submission of attendance registers by line managers to the Finance department unless the appointment is not for a full month.

## **10. NEPOTISM**

10.1 No municipal employee may show favoritism towards any applicant.

10.2 A representative/line manager/panel from the department that indicated a need for a temporary worker will sign a declaration form which declaration will confirm that they do not have any family members on the schedule to curb nepotism.

10.3 Members of the departments/panel must recuse themselves when there is a possibility of a conflict of interest.

## 11. TEMPORARY EMPLOYMENT CONTRACTS

All contracts for temporary employees will include a clause stating that there will be no expectation of permanent employment.



## Fixed Asset Management Policy



## **1. INTRODUCTION**

### **1.1 AIM OF THIS DOCUMENT**

This document is provided to assist management and employees of THEMBELIHLE Municipality to implement and maintain consistent, effective and efficient fixed asset management principles.

**The objective of this document is aimed at:**

- Safeguarding the fixed assets of the THEMBELIHLE Municipality to ensure effective use of existing resources
- Emphasizing a culture of accountability over fixed assets owned by the THEMBELIHLE Municipality.
- Ensuring that effective controls are communicated to management and staff through clear and comprehensive written documentation.
- Providing a formal set of procedures to ensure that the THEMBELIHLE Municipality's fixed asset policies are achieved and are in compliance with the

This manual supercedes/replaces all previously issued fixed asset management policies and/or procedures and/or instructions and should be read together with the provisions of Section 63 of the MFMA.

## **1.2 DEPARTURES FROM FORMAL POLICIES AND PROCEDURES**

**1.2.1** Any departures from the approved policies and procedures stated in this manual will require the prior written approval of the Chief Financial Officer.

**1.2.2** Failure to comply with the prescribed policies and procedures will result in the institution of disciplinary procedures in terms of the Human Resource policies & procedures.

## **1.3 CHANGES TO FIXED ASSET MANAGEMENT POLICY AND/OR PROCEDURE MANUALS**

**1.3.1** All changes made to either the Fixed Asset Management Policies or Procedures must be processed timeously and communicated via the proper channels of communication to all asset holders.

**1.3.2** The following steps will apply for the control and management of changes to the Fixed Asset Management Policy or Procedure Manuals:

**1.3.2.1** The Chief Financial Officer is appointed as custodian of the Fixed Asset Register and Fixed Asset Management Policy and Procedure manuals. The custodian is ultimately responsible for the control of the Fixed Asset Management Policies and Procedures.

**1.3.2.2** All recommended changes or requests for changes are recorded on the change request form that will detail the suggested changes together with reasons for such change.

**1.3.2.3** The change request form is authorized by the relevant Departmental Head. The authorized change request form is forwarded to the custodian.

**1.3.2.4** The custodian circulates the change request between Heads of Departments for comments for a defined period. All comments are forwarded back to the custodian.

**1.3.2.5** The Chief Financial Officer submits the proposal to the Municipal Manager for Council's approval in the case of changes to the Fixed Asset Management Policies or final approval in the case of changes to the Fixed Asset Management Procedures.

**1.3.2.6** Changes in policies will be effective within one week after final approval has been received.

**1.3.2.7** The custodian is ultimately responsible for applying the changes and finalizing the Fixed Asset Management Policy and Procedure manuals. The new document is made available in its entirety within one week after final approval has been received with clear indications of the changes.

**1.3.2.8** It remains the responsibility of all employees to keep themselves familiarized with the Fixed Asset Management Policies and Procedures.

**1.3.2.9** Failure to apply the changes in the Fixed Asset Management Policies or Procedures from the date of implementation will result in the institution of disciplinary procedures in terms of the human resource policies & procedures.

## **1.4 DELEGATION OF AUTHORITY**

**1.4.1** Full responsibility for internal control over fixed assets within a department rests with the relevant Head of Department, who must ensure that appropriate and adequate arrangements exist to safeguard all fixed assets and that the Asset Management Policies and Procedures are complied with and that the records are maintained in as complete and accurate form as possible.

**1.4.2** Head(s) of Department(s) must ensure that all movements of fixed assets or other related changes, i.e. purchases, transfers, disposals, losses, impairments, upgrades, be communicated to the custodian in the manner prescribed in the Fixed Asset Management Procedure manual.

**1.4.3** Head(s) of Department(s) must ensure that the inventory listing of fixed assets under control of asset holders is a true reflection of the assets under the asset holder's control. Regular independent checks should be conducted by the Head(s) of Department(s) or their delegates. Assistance and advice on internal control procedures can be obtained from the custodian of the fixed asset register or the appointed representative.

## **POLICY INDEX**

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## **CHAPTER 1: DEFINITIONS**

**Assets** are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. (GRAP 1)

A **fixed asset** is defined in GRAP 17 as a tangible item of property, plant or equipment held by the Municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, under the control of the Municipality, and from which the Municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognized as a fixed asset, an asset must also meet the criteria referred to in Chapters 13, 14 and 15 below.

An asset held under a finance lease, shall be recognized as a fixed asset, as the Municipality has control over such an asset even though it does not own the asset.

The definitions regarding fixed assets as prescribed in the applicable accounting standards are the accepted definitions and are to be applied in the management, control and reporting on fixed assets.

Other definitions:

<b>Carrying Amount</b>	The amount at which an asset is included in the statements or financial position after deducting any accumulated depreciation and any impairment losses thereon.
<b>Cost</b>	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and/or construction.
<b>Fair Value</b>	The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
<b>GRAP</b>	Standards of Generally Recognized Accounting Practice
<b>IAS</b>	International Accounting Standards
<b>MFMA</b>	Refers to the Local Government: Municipal Finance Management Act
<b>CFO</b>	Chief Financial Officer
<b>MM</b>	Municipal Manager
<b>HOD</b>	Head(s) of Department(s)
<b>Municipality</b>	THEMBELIHLE Municipality
<b>PPE</b>	Property, Plant & Equipment

## **CHAPTER 2: RESPONSIBILITIES**

### **Municipal Manager (MM)**

As accounting officer of the Municipality, the MM shall be the principal custodian of all the Municipality's fixed assets, and shall be responsible for ensuring that the Fixed Asset Management Policy and Procedures are scrupulously applied and adhered to.

## **Chief Financial Officer (CFO)**

The CFO shall be the fixed asset registrar of the Municipality, and shall ensure that a complete, accurate and up-to-date electronic Fixed Asset Register (FAR) is maintained.

No amendments, deletions or additions to the FAR shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

Verify assets in possession of the Municipality annually during the course of the financial year.

Report all losses, where applicable, to the Council.

## **Head of Department: Human Resources**

The HOD Human Resources shall ensure that no monies are paid out on termination of services without receiving the asset resignation form, signed off by the relevant Head(s) of Department(s).

**All Head(s) of Department(s) (HOD) / End Users** HOD shall ensure:

- That all officials adhere to the approved Asset management Policies and procedures.
- That an employee with delegated authority has been nominated to implement and maintain physical control over assets in his/her Department. The CFO has to be notified who this responsible person is. Although authority has been delegated, the responsibility to ensure adequate physical control over each asset remains with the HOD.
- That the assets are properly maintained in accordance with their respective asset maintenance policies.
- That assets and/or inventory items are not used for private gain.
- That all assets and attractive items are reflected in the FAR.
- That the CFO is notified of any changes in the status of an asset under the HOD's control. This must be done in the prescribed form(s) and timetable(s).
- That on termination of services by an official, all relevant assets (portable and attractive items) are collected and an asset resignation form is been issued.

## ***CHAPTER 3: FORMAT OF FIXED ASSET REGISTER (FAR)***

The FAR shall be maintained in the format determined by the CFO, which format shall comply with the requirements of GRAP and any other accounting requirements which may be prescribed.

The FAR shall reflect (as minimum) the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset

- the department(s) or vote(s) within which the assets will be used
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- where applicable, the identification number, as determined in compliance with Chapter 10 below
- the original cost, or the revalued amount determined in compliance with Chapter 25 below, or the fair value if no costs are available
- the (last) revaluation date of the fixed assets subject to revaluation
- the revalued value of such fixed assets
- who did the (last) revaluation
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- the source of financing
- the current insurance arrangements
- whether the asset is required to perform basic municipal services
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

All HODs under whose control any fixed asset falls shall provide the CFO in writing with any information required to compile the FAR, and shall advise the CFO in writing, within 24 hours of any material change which may occur in respect of such information.

A fixed asset shall be capitalized, that is, recorded in the FAR, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalized as a fixed asset.

A fixed asset shall remain in the FAR for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

#### ***CHAPTER 4: CLASSIFICATION OF FIXED ASSETS***

In compliance with the requirements of the National Treasury, the CFO shall ensure that all fixed assets are classified under the following headings in the FAR and HOD shall in writing provide the CFO with such information or assistance as is required to compile a proper classification:

##### **PROPERTY, PLANT AND EQUIPMENT**

- land (developed and undeveloped)
- buildings (dwellings and non residential dwellings)
- infrastructure assets (assets which are part of a network of similar assets)



- capital / infrastructure work in progress
- other machinery and equipment
- heritage assets (cultural significant resources)
- biological or cultivated assets
- investment property
- intangible assets
- Other assets (ordinary operational resources)

The CFO shall adhere to the classifications indicated in the annexure on fixed asset lives (see Chapter 32 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

## ***CHAPTER 5: INVESTMENT PROPERTY***

Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as PPE for purposes of preparing the Municipality's statement of financial position.

Investment assets shall comprise land or buildings (or parts of buildings) or both held by the Municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the FAR in the same manner as other fixed assets, but a separate section of the FAR shall be maintained for this purpose.

Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

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

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

## ***CHAPTER 6: FIXED ASSETS TREATED AS INVENTORY***

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

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

### ***CHAPTER 7: RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER***

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

For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

### ***CHAPTER 8: RECOGNITION OF DONATED ASSETS***

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

### ***CHAPTER 9: SAFEKEEPING OF ASSETS***

Every HOD shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every HOD shall adhere to any written directives issued by the CFO to the department in question, or generally to all departments, in regard to the control of or safekeeping of the Municipality's fixed assets.

### ***CHAPTER 10: IDENTIFICATION OF FIXED ASSETS***

The MM shall ensure that the Municipality maintains a fixed asset identification system which shall be operated in conjunction with its electronic FAR.

The identification system shall be determined by the MM, acting in consultation with the CFO and other HOD, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the Municipality's audit report(s), and shall be decided upon within the context of the Municipality's budgetary and human resources.

Every HOD shall ensure that the asset identification system approved for the Municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

### ***CHAPTER 11: PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS***

Every HOD shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the CFO, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

## ***CHAPTER 12: CAPITALISATION CRITERIA: MATERIAL VALUE***

No item with an initial cost or fair value of less than R1 000 (one thousand rand per item/group) shall be recognized as a fixed asset. If the item has a cost or fair value lower than this capitalization benchmark, it shall be treated as an ordinary operating expense.

Every HOD shall, however, ensure that any item with a value in excess of R1000 (one thousand rand), and with an estimated useful life of more than one year, shall be reported to the CFO who shall decide whether the portability and attractiveness of the item by its very nature, render it to theft or misplacing and whether it is sufficiently portable to allow removal and if the need exists for the item to be controlled and therefore be included in the FAR as a non-capital item and identified and controlled in the manner as prescribed in Chapter 11. Every HOD shall ensure that the existence of items referred to in this Chapter and which the CFO decided not to include in the Fixed Asset Register shall be recorded on an asset stock sheet controlled by himself or a person delegated to the task, and verified from time to time, and at least once in every financial year, and any amendments which are made to such asset stock sheet pursuant to such stock verifications shall be retained for audit purposes.

## ***CHAPTER 13: CAPITALISATION CRITERIA: INTANGIBLE ITEMS***

No intangible item shall be recognised as a fixed asset, except that the CFO, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the Council that specific development costs be recognised as fixed assets.

## ***CHAPTER 14: CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES***

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

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

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

## **CHAPTER 15: MAINTENANCE PLANS**

Every HOD shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council for approval.

If so directed by the MM, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The HOD controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned. These plans must also form part of the IDP & SDBiP.

## **CHAPTER 16: DEFERRED MAINTENANCE**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the CFO shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the HOD controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

## **CHAPTER 17: GENERAL MAINTENANCE OF FIXED ASSETS**

Every HOD shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

## **CHAPTER 18: DEPRECIATION OF FIXED ASSETS**

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

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

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

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, deprecation charges shall be calculated annually.

Each HOD, acting in consultation with the CFO, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

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

### ***CHAPTER 19: RATE OF DEPRECIATION***

The CFO shall assign a useful operating life to each depreciable asset recorded on the Municipality's FAR. In determining such a useful life the CFO shall adhere to the useful lives set out in the annexure to this document (see Chapter 33 below).

In the case of a fixed asset which is not listed in this annexure, the CFO shall determine a useful operating life, if necessary in consultation with the HOD who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

### ***CHAPTER 20: METHOD OF DEPRECIATION***

Except in those cases specifically identified in Chapter 23 below, the CFO shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

### ***CHAPTER 21: AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS***

Only the CFO may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the CFO shall inform the Council of such amendment.

The CFO shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful

operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

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

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

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

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

## ***CHAPTER 22: ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES***

The CFO may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The CFO shall only employ this method of depreciation if the HOD controlling or using the fixed asset in question gives a written undertaking to the MM to provide:

- estimates of statistical information required by the CFO to prepare estimates of depreciation expenses for each financial year; and
- Actual statistical information, for each financial year.

The HOD concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the CFO.

Where the CFO decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the CFO shall inform the Council of the decision in question.

## **CHAPTER 23 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION**

The CFO shall ensure that in respect of all fixed assets financed from the Municipality's Asset Financing Reserve, or from Grants or Subsidies or Contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the Municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

The CFO shall thereafter ensure that in the case of depreciable fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred annually from such non-distributable reserve to the Municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the CFO shall appropriately adjust the aggregate transfer from the nondistributable reserve for the year concerned.

## **CHAPTER 24: CARRYING VALUES OF FIXED ASSETS**

All fixed assets shall be carried in the FAR, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

The only exceptions to this rule shall be re-valued assets (see Chapter 25 below) and Heritage Assets in respect of which no value is recorded in the fixed asset register (see Chapter 7 above).

## **CHAPTER 25: REVALUATION OF FIXED ASSETS**

All land and buildings recorded in the Municipality's FAR shall be re-valued with the adoption by the municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

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

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

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



The CFO shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred annually from the revaluation reserve to the

Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see Chapter 23 above).

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

Re-valued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their re-valued amount, less accumulated depreciation (in the case of buildings).

## ***CHAPTER 26: VERIFICATION OF FIXED ASSETS***

The CFO shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the Municipality.

The results of such verification will be reported to every HOD who shall promptly and fully report in writing to the CFO in the format determined by the CFO on all the fixed assets not verified during such fixed asset verification.

Asset verifications shall be undertaken and completed as closely as possible to the end of each financial year and the resultant report shall be submitted to the MM / Council by not later than 31 August of the year in question.

## ***CHAPTER 27: ALIENATION OF FIXED ASSETS***

In compliance with the principles and prescriptions of the MFMA, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the Municipality's supply chain management policy.

Every HOD shall report in writing to the CFO on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such HOD wishes to alienate by public auction or public tender. The CFO shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the MM recommending the process of alienation to be adopted.

The MM will decide on the alienation of any fixed asset with a carrying value less than R1,000.00 (one thousand rand) and will inform the appropriate HOD of any alienation of any fixed assets that have not been approved clearly stating the reasons for such disapproval..

The Council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R1,000.00 (one thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see Chapter 33 below).

Once the fixed assets are alienated, the CFO shall arrange for the appropriate updating of the FAR.

If the proceeds of the alienation are less than the carrying value recorded in the FAR, such difference shall be recognised as a loss in the income statement of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the department or vote concerned.

All gains realised on the alienation of fixed assets shall be appropriated annually to the Municipality's Asset Financing Reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

## ***CHAPTER 28: OTHER WRITE-OFFS OF FIXED ASSETS***

A fixed asset, even though fully depreciated shall be written off only on the recommendation of the HOD controlling or using the asset concerned, and with the approval of the Council.

Every HOD shall report to the CFO on 31 October and 30 April of each financial year on any fixed assets which such HOD wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the MM and/or Council (depending on the carrying value) on the fixed assets to be written off.

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

In every instance where a not fully depreciated fixed asset is written off, the CFO shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also Chapter 21).

## ***CHAPTER 29: REPLACEMENT NORMS***

Every HOD shall report to the CFO on 31 December of each financial year on any fixed assets which such HOD wishes to replace, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Council on the fixed assets to be written off.

The only reasons for replacement off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question. This Chapter provides for the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items as well as for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain or have become outdated in terms of available technology.

## ***CHAPTER 30: INSURANCE OF FIXED ASSETS***

The MM shall ensure that all movable fixed assets are insured at least against fire and theft, and that all Municipal Buildings are insured at least against fire and allied perils.

The CFO shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the HOD concerned.

The MM shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

The CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the Municipality's self-insurance reserve.

## ***CHAPTER 31: BIOLOGICAL ASSETS***

Accounting for biological assets shall take place in accordance with the requirements of IAS 41.

The CFO, in consultation with the HOD concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised valuator in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the HOD concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the FAR or in a separate accounting record altogether and such details shall reflect the information which the CFO, in consultation with the HOD concerned and the internal auditor, deems necessary for accounting and control purposes.

The CFO shall annually insure the Municipality's biological assets, in consultation with the HOD concerned, provided the Council considers such insurance desirable and affordable.

## **CHAPTER 32: SELF-CONSTRUCTED ASSETS**

### **General**

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

### **Policy**

All assets that can be classified as assets and that are constructed by the municipality should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged (indicated) as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management.

## **CHAPTER 33: COMPONENT APPROACH**

The component approach is a GRAP-supported approach where complex assets are split into separate depreciable parts for recording. The key considerations in determining what should become a separately depreciable part (component) are:

- Significant cost; and
- Considerable difference in useful life

## CHAPTER 34: ASSET VALUATION

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

**The costs** of newly or recently acquired capital assets are easily determined from transactional records like invoices. For some older municipal capital assets, the transactional records may not exist or the identification of the assets themselves may not be possible from documentation available. In these instances the municipality should use the fair value measurement principles to determine a deemed cost for these assets at initial recognition.

**Fair value** assumes an active and liquid market that produces current quoted prices for a specific asset. The majority of municipal assets are specialised structures for which such a market does not exist. A municipality will therefore need to use other methods to estimate the cost and accumulated depreciation of those assets.

## CHAPTER 35: REHABILITATION/ENHANCEMENTS/RENEWALS OF CAPITAL ASSETS

Expenditure to rehabilitate, enhance or renew an existing capital asset (including separately depreciable parts) can be recognised as capital if:

- that expenditure satisfies the recognition criteria;
- that expenditure is enhancing the service provision of that capital asset beyond its original expectation (i.e. not maintenance) and either that expenditure:
  - increases the useful life of that capital asset (beyond its original life);
  - increases that capital asset capacity (beyond its original capacity);
  - increases the performance of the capital asset (beyond the original performance);
  - increases the functionality of that capital asset;
  - reduces the future ownership costs of that capital asset significantly; or
  - increases the size of the asset or changes its shape.

**The following points are important to note:**

- Approval through the budget process for these improvements may require a business case.
- It must be probable that the expenditure will lead to the level of benefits expected.
- The expenditure to restore the functionality of the capital asset to its original level is a maintenance/refurbishment expense and not a capital expense. Maintenance/ refurbishment will not be capitalised to the capital asset.

The rehabilitated or renewed separately depreciable part will be derecognised and the replacement will be recognised. Where the separately identifiable asset is rehabilitated or renewed, the amount incurred will be added to the carrying value of the asset.

Renewals have the same meaning and treatment as rehabilitation/enhancements and are different from refurbishment, which is seen as maintenance.

## **CHAPTER 36: IMPAIRMENT LOSSES**

Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. The following serve as examples of impairment indicators:

- Significant decline in market value;
- Carrying amount of an asset far exceeds the recoverable amount or market value;
- There is evidence of obsolescence (or physical damage);
- The deterioration of economic performance of the asset concerned; and
- The loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (such as through inadequate maintenance).

The impairment amount is calculated as the difference between the carrying value and the recoverable service value. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at re-valued amount.

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

## **CHAPTER 37: LEASED ASSETS**

A lease is an agreement whereby the lesser conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases:

- A Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital asset.

- Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

Where an asset is leased it is necessary to record the details in an appropriate register. Additional details, which should also be recorded, include:

- lease start and completion dates;
- first-instalment date;
- asset-fair value;
- implicit interest rate; and □ lease payments.

Leases have a built-in interest cost which should be considered when evaluating whether to lease or buy (cash) an asset. Information in the register should be reviewed annually to confirm that the decision remains the most economical one.

**The Advantages Of Leasing Include:**

- increased flexibility to change 'asset solutions' (with an operating lease);
- reduced need for large capital outlays; and
- isolation from short-term fluctuations in market supply and values.

**Disadvantages Can Include:**

- penalty clauses for the early termination of leases;
- higher implicit interest costs in leases compared to cost of funds available to the municipality; and
- dependence on the market to supply assets leading to long-term exposure to market risk.

## **CHAPTER 38: ASSET LIFE CYCLE**

The asset life-cycle is a key concept underpinning asset management. An asset life-cycle covers all phases of an asset's life starting with planning, through its acquisition, operation, maintenance and eventual disposal. Management of these phases should be aligned to the municipality's planning, budgeting, monitoring and reporting processes. In summary the phases are as follows:

- a) The planning phase deals with the planning for service delivery that drives the need for assets. This phase will include input into the IDP, budget and asset management plans. Various acquisition options should be considered during this phase.
- b) The acquisition phase deals with the purchase, construction or manufacture of new assets.
- c) The operation and maintenance phase deals with the operation of the assets, maintenance/refurbishment, enhancement/rehabilitation, depreciation and impairment. This phase includes activities of a capital and current nature.
- d) The disposal phase deals with the timing of and disposal of the assets including the disposal costs and specific requirements for the assets, e.g. dismantling costs, medical equipment legal requirements, etc.

An asset's life-cycle is determined by its useful life to the municipality. This useful life is often shorter than its economic life. For example, a municipality may decide (as part of its asset management policy) to dispose of traffic police cars

after five years because they have become too costly to maintain through extensive usage. However, such cars may continue to operate in another environment for many years.

### **CHAPTER 39: FIXED ASSET CATEGORIES & LIVES**

(In brackets the estimated useful life in years in each case).

## **LAND**

Developed Land	(N/A)
Undeveloped Land	(N/A)

## **BUILDINGS**

### **Dwellings**

Caravan Parks	(10)
Children's Homes	(30)
Homes for the Aged	(30)
Hostels	(30)
Mobile Homes	(10)
Places of Safety	(30)
Residences (personnel) including garages and parking	(30)
Recreational / (Holiday) accommodation	(30)

### **Non-Residential Dwellings**

Bus Terminals	(30)
Bus Shelters	(15)
Civic Theatres	(30)
Clinic and Community Health Facilities	(30)
Community Centres and Public Entertainment Buildings	(30)
Driver and Testing Centres	(30)
Industrial Buildings	(30)
Laboratories	(30)
Museum and Art Galleries	(30)
Office Buildings (inclusive of air conditioning system)	(30)
Public Parking	(30)
Police Station and associated buildings	(30)
Railway and associated buildings	(30)
Stadiums	(30)
Taxi Ranks	(15)
Sport and Recreational facilities (fields, clubhouses, etc)	(15)
Non-Residential Perimeter Protection	(15)
Ablution / Public Facilities	(30)
Carports	(15)



Workshop / Stores	(30)
Market / Shops	(30)

## INFRASTRUCTURE ASSETS

### Electricity

Cooling towers	(30)
Mains	(20)
Meters Pre-Paid	(20)
Meters Credit	(25)
Electricity Supply / Reticulation	(30)
Transformers	(50)
Lines Underground	(45)
Lines Overhead	(30)
Cables	(45)
Substation Switchgear	(30)
Substation Equipment Outdoors	(30)
Substation Equipment GIS	(30)
Substation Equipment Indoors	(40)
Electrical Panels	(5)
Electrical Telemetry	(15)
Electricity Perimeter Protection	(15)
Structure for Electrical Purposes	(30)
Public Lighting	(10)

### Roads

Bridges Vehicle Concrete	(80)
Bridges Vehicle Steel	(50)

Bridges Pedestrian Concrete	(80)
Bridges Pedestrian Steel	(50)
Bridges Railway Concrete	(80)
Bridges Railway Steel	(50)
Bridges Reinforced Retaining Walls Earth	(15)
Bridges Reinforced Retaining Walls Concrete	(30)
Bridges Expansion and Construction Joints	(20)
Storm Water Culverts Concrete	(60)
Storm Water Drains Earthworks	(100)
Storm Water Drains Concrete Lining	(50)
Storm Water Stop Banks	(50)
Storm Water Pipes	(50)
Roads Kerbs and Channels	(50)
Roads Municipal Tar Layer	(50)
Roads Municipal Tar Surface	(20)
Roads Municipal Concrete Layer	(50)
Roads Municipal Concrete Surface	(30)
Roads Municipal Gravel Surface	(10)
Roads National Tar Layer	(50)
Roads National Tar Surface	(20)
Roads National Concrete Layer	(50)
Roads National Concrete Surface	(30)
Roads National Gravel Surface	(10)
Roads Provincial Tar Layer	(50)
Roads Provincial Tar Surface	(20)
Roads Provincial Concrete Layer	(50)
Roads Provincial Concrete Surface	(30)
Roads Provincial Gravel Surface	(10)
Roads Crash Barriers	(30)

Roads Retaining Walls	(60)
Roads Pedestrian Footpaths	(30)
Roads Street Lighting	(40)
Roads Traffic Islands	(50)
Roads Traffic Lights	(20)
Roads Traffic Signs	(15)
Roads Paved Layer	(50)
Roads Paved Surface	(10)

## **Water**

Dams Structure Concrete	(100)
Dams Structure Earth	(50)
Dams Electrical & Mechanical	(40)
Water Meters	(20)
Stand Pipes	(20)
Water Metalwork (ladders, handrails, weirs)	(30)
Pump Stations Structure	(55)
Pump Stations Electrical	(40)
Pump Stations Mechanical	(40)
Pump Stations Perimeter Protection	(25)
Reservoirs Structure	(50)
Reservoirs Electrical	(40)
Reservoirs Mechanical	(40)
Reservoirs Perimeter Protection	(25)
Water Supply / Reticulation	(50)
Underground Chambers Valves	(25)
Underground Chambers Meters	(20)
Underground Chambers Transition	(15)

Underground Chambers Other	(10)
Water Purification Works Structure	(55)
Water Purification Works Electrical	(40)
Water Purification Works Mechanical	(40)
Water Purification Works Perimeter Protection	(25)
Water Purification Works Meters	(15)
Water Telemetry	(15)

## **Sewerage**

Bulk Pipelines Rising Mains	(50)
Bulk Pipelines Gravity Mains	(50)
Sewer Pump Stations Structure	(55)
Sewer Pump Stations Electrical	(40)
Sewer Pump Stations Mechanical	(40)
Sewer Pump Stations Perimeter Protection	(25)
Sewer Pump Stations Metalwork	(30)
Sewers / Reticulation	(60)
Water Purification Works Structure	(55)
Water Purification Works Electrical	(40)
Water Purification Works Mechanical	(40)
Water Purification Works Perimeter Protection	(25)
Water Purification Works Meters	(15)

## **Solid Waste Disposal**

Collection Vehicles	(10)
Collection Containers / Bins	(15)
Transfer Stations and Processing Facilities Structure	(55)
Transfer Stations and Processing Facilities Electrical	(40)
Transfer Stations and Processing Facilities Mechanical	(40)
Transfer Stations and Processing Facilities Perimeter Protection	(25)
Landfill Site Earthmoving and Compact Equipment	(15)
Landfill Site Preparation	(N/A)
Landfill Site Structure	(55)
Landfill Site Weighbridge	(40)

Landfill Site Perimeter Protection (25)

## **Railways**

Railway Power Supply Units (30)  
Railway Sidings (30)  
Railway Tracks (20)  
Railway Signalling System (20)  
Railway Shunting Yards (30)  
Railway Perimeter Protection (25)

## **Cemeteries**

Cemeteries (30)  
Cemeteries Perimeter Protection (25)

## **CAPITAL / INFRASTRUCTURE WORK IN PROGRESS**

## **OTHER MACHINERY AND EQUIPMENT**

### **Machinery and Equipment**

Audiovisual Equipment (10)  
Building Air Conditioning Systems (5)  
Cellular Phones (over R5, 000) (2)  
Cellular Routers (3)  
Domestic Equipment (non kitchen appliances) (5)  
Power Distribution Equipment (Generators / Compressors) (7)

Emergency / Rescue Equipment (10)  
Farm / Agricultural Equipment (15)  
Fire Fighting Equipment (5)  
Gardening Equipment (4)  
Irrigation Equipment (15)  
Kitchen Appliances (10)  
Laboratory Equipment (7)  
Laundry Equipment and Industrial Sewing Machines (15)  
Learning / Training Support and Library Material (10)  
Machines for Metallurgy (10)  
Machines for Quarrying (10)  
Machines for Textile Production (15)  
Medical and Allied Equipment (10)  
Musical Instruments (15)

Photographic Equipment	(7)
Pumps, Plumbing, Purification and Sanitation Equipment	(10)
Radio Equipment	(7)
Road Construction and Maintenance Machinery and Equipment	(15)
Saddles and other Tack	(7)
Security Equipment / Systems – Fixed	(5)
Security Equipment / Systems – Moveable	(5)
Sport and Recreational Equipment	(10)
Survey Equipment	(7)
Telecommunications Equipment	(5)
Tents, Flags and Accessories	(10)
Woodworking Machinery and Equipment	(10)
Workshop Equipment and loose tools – Fixed	(10)
Workshop Equipment and loose tools – Movable	(5)

### **Furniture and Office Equipment**

Advertising Boards	(5)
Air Conditioners (individual fixed and portable)	(5)
Cutlery and Crockery	(10)
Domestic and Hostel furniture	(15)
Linen and Soft Furnishing	(10)
Office Equipment (including fax machines)	(7)
Office Furniture	(7)
Paintings, Sculptures and Ornaments	(10)

### **Computer Equipment**

Computer Hardware including operating systems	(5)
Computer Networks	(10)

### **Transport Assets**

Busses	(15)
Cycles	(7)
Emergency Vehicles	(10)
Mobile Clinic	(15)
Motor Vehicles (Sedan, Hatch and LDV)	(7)
Railway Rolling Stock	(15)

Trailers and accessories	(10)
Trucks	(7)
Watercraft	(10)

## **HERRITAGE ASSETS**

Land of Historic or Specific Significance	(N/A)
Culturally Significant Building	(N/A)
National Monuments	(N/A)
National Parks / Reserves	(N/A)
Paintings	(N/A)
Sculptures	(N/A)
Municipal Jewelry	(N/A)
Works of Art	(N/A)
Other antiques or collections	(N/A)

## **BIOLOGICAL OR CULTIVATED ASSETS**

## **THEMBELIHLE INTANGIBLE ASSETS**

### ***CHAPTER 40: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003***

The Municipality may not alienate any capital asset required to provide a minimum level of basic municipal services, unless the provisions of the Act is followed.

The Municipality may alienate any other capital asset, but provided

- the Council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- The Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

**CASH MANAGEMENT AND INVESTMENT POLICY**  
**(Adopted by council on 30 May 2019)**

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# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

## Adoption of cash management and investment policies

1. The cash management and investment policy to be established by a municipality in terms of section 13 ( 2 ) of the Act, must be –
  - a. adopted by the council of the municipality; and
  - b. consistent with these regulations.
2. The board of directors of a municipal entity must adopt an cash management and investment policy for the entity consistent with these regulations.
3. All investments made by a municipal entity, or by an investment manager on behalf of a municipality or entity, must be in accordance with the cash management and investment policy of the municipality or entity and these regulations.

***The following policy has been adopted by the Council of Thembelihle Municipality on 7 June 2013.***

## **PART 1. LEGAL COMPLIANCE**

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

## **PART 2. OBJECTIVE OF INVESTMENT POLICY**

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

The council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

## **PART 3. EFFECTIVE CASH MANAGEMENT**

### **3.1 Cash Collection**

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis.

The respective responsibilities of the chief financial officer and other heads of departments in this regard is defined in a code of financial practice approved by the municipal manager and the chief financial officer, and this code of practice is attached as Annexure II to this policy.

The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

### **3.2 Payments to Creditors**

The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favorable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the chief financial officer before any payment is made. (Delegated by Accounting Officer to CFO.)

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the chief financial officer before any payment is made. (Delegated by Accounting Officer to CFO.)

Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so. (Delegated by Accounting Officer to CFO.)

The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques. (Delegated by Accounting Officer to CFO.)

Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing. (Delegated by Accounting Officer to CFO.)

### 3.3 Management of Inventory

Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from suppliers.

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the chief financial officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

### 3.4 Cash Management Programme

The chief financial officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a monthly basis. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the chief financial officer with all such information as is required, timeously and in the format indicated.

The chief financial officer shall report to the Municipal Manager and Mayor, as the case may be, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

## **PART 4. INVESTMENT ETHICS**

The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the Municipal Manager, as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the Municipal Manager, as the case may be, shall not accede to any influence by or interference from councilors, investment agents or institutions or any other outside parties.

Neither the chief financial officer nor the Municipal Manager, Mayor or councilors or any officials, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

## **PART 5. INVESTMENT PRINCIPLES**

### **5.1 Limiting Exposure**

Where large sums of money are available for investment the chief financial officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The chief financial officer shall further ensure that, as far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

### **5.2 Risk and Return**

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

### **5.3 Payment of Commission**

Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

### **5.4 Call Deposits and Fixed Deposits**

Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least two financial institutions.

Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

### **5.5 Restriction on Tenure of Investments**

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Manager, as the case may be.

### **5.6 Permitted investments**

A municipality or municipal entity may invest funds only in any of the following investment types as may be appropriate to the anticipated future need for the funds:

- a. securities issued by the national government;
- b. listed corporate bonds with an investment grade rating from a national or internationally recognized credit rating agency;
- c. deposits with banks registered in terms of the Banks Act, 1990 ( Act No. 94 of 1990 );
- d. deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 ( Act No. 45 of 1984 );
- e. deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 ( Act No. 46 of 1984 );
- f. banker's acceptance certificates or negotiable certificates of deposit of bank registered in terms of the Banks Act, 1990;
- g. guaranteed endowment policies with the intention of establishing a sinking fund;
- h. repurchase agreements with banks registered in terms of the Banks Act, 1990;
- i. municipal bonds issued by a municipality; and
- j. any other investment type as the Minister identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

#### 5.7 Investment denominated in foreign currencies prohibited

A municipality or municipal entity may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

## **PART 6. CONTROL OVER INVESTMENTS**

The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

## **PART 7. OTHER EXTERNAL INVESTMENTS**

From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Manager, and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

## **PART 8. BANKING ARRANGEMENTS**

The Municipal Manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer. The Municipal Manager and chief financial officer are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. The municipal manager, in consultation with the chief financial officer, is authorized to appoint four or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the mayor and council, as the case may be, on a yearly basis, as part of the report dealing with the municipality's investments.

In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following: the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible). One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source; trust funds; and the municipality's self-insurance reserve (if legally permissible). In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

The municipal manager shall invite tenders for the placing of the municipality's bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the municipal manager, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and the council, as the case may be, agrees to the invitation of such tenders.

## **PART 9. RAISING OF DEBT**

The municipal manager is responsible for the raising of debt, but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the municipal manager. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the council.

Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the chief financial officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

## **PART 10. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES**

In managing the municipality's investments, the chief financial officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the council at the time that the loan itself is approved. If the loan raised is not a fixed term loan, but an annuity loan, the chief financial officer shall ensure that sufficient resources are available

in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

## **PART 11. INTEREST ON INVESTMENTS**

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

In the case of the external finance fund, the chief financial officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account and expropriated to the asset financing reserve.

## **PART 12. ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003**

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the executive mayor, executive committee or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial officer. The chief financial officer shall at all times manage the investments in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No 56 of 2003.

### ***SECTION 7: OPENING OF BANK ACCOUNTS***

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

- otherwise than in the name of the municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

### ***SECTION 8: PRIMARY BANK ACCOUNT***

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

- all allocations to the municipality;
- all income received by the municipality on its investments;
- all income received by the municipality in connection with its interest in any municipal entity;
- all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- any other monies as may be prescribed.

The accounting officer of the municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

### ***SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL***

The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

### ***SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS***

The accounting officer of the municipality must administer the entire municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality's chief financial officer.

### ***SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS***

Only the accounting officer or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorize the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approved budget;
- defray expenditure authorized in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorized in terms of Section 29(1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state



by agreement, or any insurance or other payments received by the municipality for such person or organ of state;

- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13; defray increased expenditure in terms of Section 31; or
- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorization to a senior financial official to withdraw money or to authorize the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorize any official other than the chief financial officer to withdraw money or to authorize the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

### ***SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS***

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

### ***SECTION 13: CASH MANAGEMENT AND INVESTMENTS***

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

### ***SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS***

The following documents must accompany each tabled draft annual budget (inter alia):

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- Particulars of the municipality's investments.

### ***SECTION 22: PUBLICATION OF ANNUAL BUDGETS***

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connection with such budget (and documents).

### ***SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES***

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for finance in the province must, when tabling the national annual budget in the national assembly or the provincial annual budget in the provincial legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

### ***SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES***

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

### ***SECTION 45: SHORT-TERM DEBT***

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including

the credit limit, may be changed only by a resolution of the council; and if the council approves a credit facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

#### ***SECTION 46: LONG-TERM DEBT***

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

#### ***SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT***

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

#### ***SECTION 64: REVENUE MANAGEMENT (EXCERPTS)***

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The accounting officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The accounting officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

#### ***SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)***

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

## **PART 13: ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES**

### **1. STORES ADMINISTRATION**

The chief financial officer shall be responsible for the proper administration of all stores. If sub-stores are established under the control of any head of department, such head of department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the chief financial officer, acting in consultation with the head of department concerned. No sub-store may be established without the prior written consent of the chief financial officer.

### **2. CONTRACTS: MANAGEMENT OF**

Within such general buying and related procedures as the chief financial officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the council, as the case may be:

- all buying contracts shall be administered by the chief financial officer, and all payments relating to such contracts shall be authorized by the chief financial officer or the head of department concerned; and
- all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorized by such head of department in accordance with the provisions of Section 3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the chief financial officer for payment.

### **3. PAYMENTS**

- 3.1 All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).
- 3.2 The chief financial officer shall draw all cheques on this account, and shall, in consultation with the municipal manager and with due regard to the council's policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the municipal manager decide on appropriate signatories.
- 3.3 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorized in terms of such rules and procedures as are determined from time to time by the chief financial officer.
- 3.4 The maximum amount and nature of petty disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.

3.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councilors, and for the determination of the payment system to be used.

4. REVENUE AND CASH COLLECTION

4.1 Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.

4.2 The chief financial officer shall ensure that all revenues are properly accounted for.

4.3 The collection of all arrear revenues and the control of arrear accounts shall be co-coordinated by the chief financial officer in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the chief financial officer shall report the matter adequately and timeously to the accounting officer and council.

4.4 The chief financial officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs.

5. BANKING OF RECEIPTS

5.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the chief financial officer.

5.2 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the chief financial officer.

# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
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## BORROWING POLICY

## **THEMBELIHLE LOCAL MUNICIPALITY BORROWING**

### **POLICY.**

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- 19. Interest rate risk**
- 20. Monitoring , Evaluation and Review**

**ANNEXURE A- Certification of long term borrowing**

**ANNEXURE B- Ratio Formulas**

## **1. DEFINITIONS**

***In this Policy, unless the context indicates otherwise-***

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

***“authorised official”*** means an employee responsible for carrying out any duty or function, or exercise any power in terms of his policy and includes employees delegated to carry out or exercise such duties, functions or powers;

***“Town”*** means the town of Hopetown & Strydenburg in a municipality Established Notices No. 479 of 22 September 2000, issued in terms of the Local Government: Municipal Structure Act, 1998, or any structure or employee of the town acting in terms of delegated authority;

***“council”*** means the Municipal Council of the Town;

***“COID”*** means the Compensation for Occupational Injuries and Diseases;

***“CFO”*** means Chief Financial Officer of the Town

***“disclosure statement”*** means a statement issued or to be issued by the Municipality which intends to incur debt by issuing municipal debt instruments;

***“financing agreement”*** means any loan agreement , lease , instalment, purchase arrangement under which the Town undertakes to repay a long-term debt over a period of time;

***“juristic person”*** means a body of persons, a corporation, a partnership, or other legal entity that is recognized by law as a subject of rights and duties;

***“lender”*** means a juristic person who provides debt finance to the town;

***“loan covenant”*** means a condition in an agreement relating to a loan or bond issue that requires the borrower to fulfill certain conditions or which forbids the borrower from undertaking certain actions, or which possibly restricts certain activities to circumstances when other conditions are met. Violation of a covenant may result in a default on the loan being declared, penalties being applied, or loan being recalled; ***“long term debt”*** means debt repayable by the Town over a period exceeding one(1) year;

***“Municipality”*** means the Town of Hopetown;

***“municipal debt”*** means :

- a) a monetary liability or obligation on a Town
  - a financing agreement, note, debenture, bond or overdraft: and



- the issuance of municipal debt instrument; an
- b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

**“security”** means any mechanism intended to secure the interest of a lender or investor and includes any of the mechanisms mentioned;

**“short term debt”** means debt that is repayable over a period not exceeding one(1) year;

**“sinking fund”** means a fund established where provision is made to accumulate sufficient funds to repay the capital on a municipal issue at the end of the loan period as a lump sum which is termed a ‘bullet’ payment and;

**“QBMR”** means Quarterly Borrowing Monitoring Return.

## 2. PROBLEM STATEMENT

2.1 Considering the large demand for municipal infrastructure, borrowing is an important element to obtain additional funding sources to fund the municipal capital programme over the medium term.

2.2 Given that a large portion of municipal infrastructure has a long-term economic life and the general principle that the current ratepayers should not pay for an asset in the short term that is to be used by future ratepayers during life of the asset, there is a strong economic argument of finance this capital expenditure through long-term borrowing in order to accelerate the pace of delivery and to mirror the repayment funds with the economic life of the asset. The economic life of assets should always be equal to or longer than the tenure of the debt finance.

2.3 It would be appropriate for the Town to adopt a borrowing policy which shall be consistent with the Act and its regulations.

## 3. DESIRED OUTCOME

3.1 This Policy, in line with sections 19, 46 and 47 of the Act, sets out the procedures to be followed in sourcing funding from external service providers.

3.2 The following objectives of the policy are to:

- a) enable the Town to exercise their obligation to ensure sufficient cash

resources to implement capital programme in the most effective manner;

b) ensure compliance with the relevant legal and statutory requirements relating to municipal borrowing;

c) govern the taking up of short-term and long-term debt according to the legislative framework;

d) manage interest rate and credit exposure; e) maintain debt specified limits and ensure adequate provision for the repayment of debt; and

f) to maintain financial sustainability.

## 4. STRATEGIC INTENT

The intent of the policy is to:

a) Ensure a transparent and corruption-free government;

b) Establish an efficient and productive administration that prioritises delivery;

c) Ensure financial prudence, with clean audits by the Auditor-General

## 5. POLICY PARAMETERS

5.1 The process for obtaining external loan funding for the Town and its municipal entities falls exclusively within the functional area of the Treasury Directorate of Finance

5.2 All borrowing made by the Town must be in accordance with this policy and with any regulations promulgated by national government.

## 6. ROLE PLAYERS AND STAKEHOLDERS

6.1 The CFO must, in consultation with the Budget and Treasury Directors, assess the

Town's financial requirement and determine the amount of funds that need to be raised from external service providers, particularly to fund the capital programme. The assessment must be made in conjunction with the Medium Term Revenue and Expenditure Framework (MTREF) and the capital budget which is approved by Council.

6.2 The Treasury Directorate is responsible for the implementation of this policy.

## 7. REGULATORY CONTEXT

The legislative framework governing borrowing is informed by the following legislations:

- a) Local Government Municipal Finance Management Act,( Act 56 of 2003); and
- b) Municipal Regulations on debt Disclosure, regulation R492, published under Government Gazette 29966, 15 June 2007.

## **8. OPTIONS FOR RAISING OF EXTERNAL DEBT**

8.1 There are four possible methods of raising external debt have been identified, namely:

- a) Raising of project specific loans through financial services providers;
- b) Raising of non-project specific loan value for a particular financial year; and
- c) Raising of bonds on the bond market;
- d) Appointment of a financial service provider as sole financier to the Council for a period of not exceeding three (3) financial years.

8.2 A combination of all four methods of raising external debt could be utilized over a period of time.

## **9. ASSESSMENT OF FUNDING REQUIREMENT**

9.1 Funding requirements for capital projects/assets, together with an assessment of the funding sources, must-

- a) be determined annually;
- b) taken into account a multi-year period; and
- c) be done in order to determine the adequacy of available funding sources.

9.2 Council must take into account how funding decisions affect the operating budget for the multi-year period, which will include the long term on tariffs.

## **10. FINACIAL RESOURCES**

A full analysis of all cash reserves is required prior to borrowing to ensure the most cost effective method of financing.

## **11. RAISING OF EXTERNAL DEBT FOR FUTURE FINANCING OF CAPITAL EXPENDITURE**

## **Budget Financial Plan**

11.1 On an annual basis, the CFO must assess the Town's financial requirements and determine the amount of funds that needs to be raised from external service providers.

11.2 Consideration must be taken of the limitations per capital and operating budgets and the expected impact that any external debt raised may have on the budget. 11.3 The Town's standard budgeting process must be followed when assessing the funding requirements of the Town and the need for long term funding from external sources.

11.4 The impact of the financial plan on the capital and operating budget must be considered and included in the budget.

## **12. COMPLIANCE WITH FINANCIAL SERVICE PROVIDER REQUIREMENTS**

### **12.1 Financial Ratios**

- a) Where it has been decided that funding will be sourced externally, the financial service provider may, when considering an application for external debt from the Town, take certain ratios into consideration.
- b) The CFO must determine the applicable ratios for long term funding and suggested performance levels.
- c) The rations should be monitored to ensure that the Town is able to meet its requirements to access external debt from financial service providers of its choice.
- d) Where these performance levels, relating to the financial ratios, are not attained, corrective action should be taken to prevent non adherence to the loan covenants.

### **12.2 Credit rating**

- a) The CFO is responsible for securing and maintaining an appropriate credit rating from a recognized, reputable credit rating organization.
- b) Supply Chain Management procedures must be followed in evaluation and appointing an appropriate credit rating agency.

## **13. RATIOS USED TO DETERMINE THE TOWN'S ABILITY TO BORROW**

To ensure a financially sustainable Town, the following ratios are used as guidelines to

Determine the Town's ability to borrow-

- a) total debt to revenue( excluding grants)
- b) debt service coverage ration;
- c) debt to net Cash ration;
- d) financing cost ration;

- e) cash flow interest cover ration; and
- f) cash available from operations before external interest paid.

## 14. COMPULSORY DISCLOSURES WHEN INCURRING MUNICIPAL DEBT

14.1 When entering into discussions with a prospective lender with a view to incur municipal debt, the Town must indicate in writing to the prospective lender whether it intends to incur short-term or long-term debt.

14.2 In cases of short-term debt it must be disclosed whether the debt is to finance-

- a) shortfalls within a financial year during which the debt is incurred in expectation of specific and realistic anticipated revenue to be received within that financial year; or
- b) capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocation or long-term debt commitments.

14.3 In the case of long-term debt, whether the purpose of the debt is for-

- a) capital expenditure on property, plant or equipment to be used to the purpose of achieving the objectives of local government, subject to section 46(4) of the Act; or
- b) refinancing of existing long-term debt, subject to section 46(5) of the Act.

## 15. COMPLIANCE WITH MUNICIPAL REGULATIONS ON DEBT DISCLOSURE

Regulation 6 of the Municipal Regulations on Debt Disclosure, 2007, states that whilst the Town is party to a municipal debt instrument it has to have a credit rating in

place which must be reviewed annually by an independent credit rating institution until it has been redeemed.

## 16. BORROWING PROCESS

The Borrowing process will be affected in terms of section 6 of the Act.

## 17. SUBMISSION OF DOCUMENTS

When entering into discussion with a prospective lender with a view to incur short-term or long-term debt, the following information must be made available to the prospective lender-

- a) audited financial statements for the preceding three(3) financial years with audited outcomes;
- b) approval annual budget;
- c) the Integrated development Plan;
- d) repayment schedule pertaining to existing short-term or long-term debt.

## 18. NOTIFICATION TO NATIONAL TREASURY

18.1 The MFMA requires a Town or municipal entity to invite the National Treasury( hereafter referred to as “NT”), the relevant provincial treasury and the public to submit written comments or representations to the council/board of directors in respect to the raising of any proposed debt through borrowing or any other instrument ( refer section sections 46&108).

18.2 To expedite this process and to enable the NT and relevant provincial treasury to provide informed comments. The town/municipal entity is requested to supply the following information and include the signed certification (see annexure), along with the invitation for comment. Failure to provide this information may delay the process.

18.3 The table below sets out the information to be provided with respect to a long-term debt propose:

	Details	MFMA
1	A copy of the information statement required by section 46(3), containing particulars of the proposed borrowing (debt instrument).	46(3) (a)(i)
2	If not already incorporated in the information statement, please ensure the following information is provided separately (note QBMR=Quarterly Borrowing Monitoring return to National Treasury): a) Amount of debt to be raised through borrowing or other means; b) Purpose for which the borrowing (debt) is to be incurred; c) Interest rate(s) applicable (state whether fixed or variable etc.); d) Planned start and end date (term of instrument); e) Detailed repayment schedule for the duration of the borrowing (debt) (showing dates and all payments of principal and interest, etc.); f) Total estimated cost of the borrowing(debt) over the repayment period; g) Type of instrument(select from QBMR) ; h) Security to be provided ( select from QBMR) and provide details; and i) Sources of loan funds (select from QBMR).	46(3)(b)(i) and (ii)
3	A schedule of consultation undertaken, including: a) Date(s) when the information was made public b) Details of meetings, media adverts and other methods used to consult on the proposed long-term borrowing(debt)	46(3)(a)(i),(ii)
4	a) A copy of the approved budget, and relevant documentation supporting the budget, highlighting the asset(s) to be funded by the proposed borrowing(debt) and the revenue to be received b) It must be demonstrated that the proposed borrowing (debt) is consistent with the IDP, the capital budget and the revenue shown accordingly.	46(6) 17(2) 19

5	If the borrowing(debt) is for the purpose of refinancing existing long-term borrowing(debt), the following information should be provided: a) A description of the asset(s) for which the original loan was required; b) The remaining useful life of the asset(s); c) The net present value of the asset(s), including the discount rate used and any assumptions in the calculations; d) The net present value of projected future payments <u>before</u> refinancing , including the discount rate and assumptions used; and e) The net present value of projected future payments <u>after</u> refinancing, including the discount rate and assumptions used.	46(5)
6	The source of funding that will be used to repay the loan as well as the revenue stream(s) must be specified, irrespective of whether it is an existing or new revenue stream.	19(1)(d)
7	A schedule of all long-term borrowing(debt) obligations should be compiled on the format of the QBMR, showing principal investments set up as sinking funds etc.	N/A
8	In the case of a municipal entity, details of any guarantee or other forms of security to be issued by the parent municipality respect of the entity's proposed borrowing (debt) should be provided.	50
9	A copy of the council/board of directors 'resolution approving the borrowing (debt) instrument should be forwarded once approved.	NA

This information detailed above together with the certification ( referred to in Annexure A), should be forwarded to the National Treasury and the relevant Provincial Treasury.

## 19. INTEREST RATE RISK

Interest rates are to be fixed at an optimal rate unless it can be shown that a variable rate can provide better cost efficiency.

## 20. MONITORING , EVALUATION AND REVIEW

The policy will be monitored by Treasury officials annually and may be amended.

### ANNEXURE A

#### Certification of long-term borrowing (debt)

Name of Municipality/entity .....

Proposed borrowing (debt): R.....

We hereby certify that the proposed long-term borrowing (debt), as specified in the attached *Information statement* and supplementary pages complies with sections 17(2), 19, 46 and 108 of the MFMA and will be used for the purposes of capital expenditure on property, plant or equipment:

- a) For the purpose of achieving the objects of local government as set out in section 152 of the Constitution;
- b) Capital expenditure is appropriate in an approved multi-year capital budget;
- c) Repayments for the duration of the loan are affordable and will be appropriated in future budgets; and
- d) If the loan is required to refinance existing long-term borrowing (debt), that the original borrowing (debt) was lawfully incurred and the refinancing does not extend the term of the borrowing (debt) beyond the life of the asset for which the money was originally borrowed.

A copy of the council/board of director's resolution approving the loan will be forwarded to the National Treasury and the relevant Provincial Treasury within 7 days of approval.

**Signatures:**

.....

.....

**Accounting Officer**

**Mayor/Chairperson of the Board**

Name:

Name:

Date:

Date:

**ANNEXURE B**

**Financial Ratio Formulas**

**Total debt to Revenue**

= Total debt/ [total Revenue – Unspent conditional grants – Capital Government grants and subsidies]

**Debt service cost ratio**



= [ Cash generated from operations – unspent conditional grants- capital government grants and subsidies]/  
[Finance cost + Loan repaid + Increase/(Decrease) in sinking funds deposits]

### **Debt to net cash ratio**

= Total debt/[Cash generated from operations-unspent conditional grants – Capital government grants and subsidies]

### **Financing cost ration**

= [ Interest on external Borrowings + Capital paid on external debt] / Total revenue

### **Cash Flow Interest Cover ratio**

= [ Cash flow from operations + interest paid

### **Cash available from operations before external interest paid**

=[ Cash generated from operations plus investment income plus changes in working capital]/external interest paid.



# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

## 1. Introduction

A current and accurate Chart of Accounts is an integral part of the accounting systems of the municipality.

This Chart of Accounts is generally consistent with the definitions and procedures presented in the GRAP (General Recognize Accounting Practices) Requirement as well as the General Financial Statistics (GFS Classification) and various budget reform processes as aligned by National Treasury.

## 2. Table of Contents

ITEM	DESCRIPTION	PAGE
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5	Who needs to know this Policy	4
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	General Ledger Chart of Accounts Maintenance Form	Annexure A
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	Main Revenue by Source and Expenditure by Type with detail descriptions	Annexure C
	GRAP Structure of the Main Ledger	Annexure D

### 3. Policy Statement

Any requested modifications (additions, deletions or changes) to the general ledger chart of accounts must be submitted to the Chief Financial Officer via the [General Ledger Chart of](#)

[Accounts Maintenance Form](#) and accompanied by a statement justifying the business reason for the change.

#### 4. Purpose of the Policy

The general ledger is the primary information repository for the Municipality's business activities and financial condition. Accordingly, the general ledger's financial encoding structure and values (its "chart of accounts") must be maintained accurately to maintain the integrity of the Municipality's financial reporting.

#### 5. Who needs to know this Policy

The finance staff and departmental heads of the Municipality

#### 6. Policy Procedures

In order to maintain accurately the general ledger chart of accounts, only Financial System Support (FSS) located in the office of the Manager: Treasury Services or the Database administrator personnel, if applicable, are authorized to perform production system chart of accounts maintenance or modifications (additions, deletions and changes). (See the Administrator and Security Policy for more detail on security controls over the system.

All requested modifications to the chart of accounts must be submitted to FSS via a signed [General Ledger Chart of Accounts Maintenance Form](#). For detailed instructions on completed the form see [Steps for Requesting Changes to the Municipality's Chart of Accounts](#). All requests also must be accompanied by a statement justifying the business reason for the modification. When additions to the chart of accounts are requested, departments are expected to consider and request deletion of segment values that formerly supported the business operation for which new values are being created.

No chart of account modifications will be considered by the Chief Financial Officer without approval by the Municipality's Budget Office or the Manager: Treasury Services, as appropriate. The appropriate Budget Office must approve modifications to the chart of accounts segments for the Vote, Cost Centers and Main Ledger. The Chief Financial Officer must approve modifications to the chart of account segments for *Account, Class and Function*. In addition, all Budget Office approved chart of accounts changes must be reviewed and approved by the Chief Financial Officer prior to processing by FSS.

Approved request forms must be submitted to the Budget Office to the attention of the Manager: Treasury Services. All change requests should be submitted at least two weeks prior to **initial** usage of the account.

All approved chart of accounts modification requests will be processed within one week from the time they are received by FSS. FSS will notify the appropriate Budget Manager, and other interested departments when modifications have been completed.

FSS and Chief Financial Officer periodically will review chart of accounts segment values for dormant values and notify the Budget Manager of the need to request removal of dormant values from those available for usage.

## 7. Forms

See Annexure A: [General Ledger Chart of Accounts Maintenance Form](#)

## 8. Chart of Accounts

### 8.1 Income and Expenditure

See Annexure B: [Organisational layout of the Operational Income and Expenditure](#) of the system

### 8.2 Main Ledger

See Annexure C: [Ledger Layout of the Main ledger](#) according to the GRAP structure of the Municipality

### 8.3 NT Reports

See Annexure D: [Linking of votes to the NT structure](#) for easy linking of cost centers in future.

## ANNEXURE A

### General Ledger Chart of Accounts Maintenance Form - explanatory form

*The following page describes how to create a new description!*

#### LE108: LEDGER DESCRIPTIONS

**Type:** *A drop down menu where the user must choose the desired type of vote to be created / change e.g. [Income and Expenditure Sub-Votes]; [Balance Sheet Sub-Votes]; [Allocation Sub-Votes]; [Main Votes].*

#### Master Code for this Sub, Allocation, Main Vote Description

Type: [xxxx] *This will be filled in depending on what has been chosen under the Type e.g. A; B; C; M*

Vote Code: [0000] *This will be created according to the Municipality's chart of accounts structure*

#### Descriptions

English [ \_ ]

Afrikaans [ \_ ]

**Controls**

Debit/Credit *Dropdown menu to choose the correct category e.g. "Debit (+) Asset and Expenditure or Credit (-) Liability and Income".*

Income /Liability sub-vote? [ ] tick in the box

Vat Indicator *Dropdown menu to choose the correct category e.g. "Not vatable; Vat Optional; Vat compulsory."*

IMFO Expenditure/Asset Groups *Dropdown menu to choose the correct category according to the chart of accounts*

NT I&E Expend Group *Dropdown menu to choose the correct category according to the chart of accounts*

***NB! DO INDEX-REBUILD ON VOTE WHEN CHANGED)***

% Cash-flow [ ] Indicate required %

Global Expenditure % [ ] Indicate required %

**Mark VALID access**

Please tick the following boxes where the ledger must be accessible from the sub systems.

[ ] Consbill

[ ] Ledger

[ ] Payroll

[ ] Stores

[ ] Asset Register

[ ] Finance Register

[ ] Costing

Job / Allocation [ ] *Choose from the dropdown menu e.g. Jobs; Allocations; Nono*

Re-Allocate Expenditure? [ ] *Tick if applicable*

Suppress Print? [ ] *Tick for yes*

Auto Block Over-expenditure? [ ] *Tick for yes*

Capital Expenditure? [ ] *Tick for yes.*

**ANNEXURE A**

**General Ledger Chart of Accounts Maintenance Form**

Type

(Main Votes; Income and Expenditure Sub-Votes; Balance Sheet Votes; Allocation Sub-Votes)

**Master Code for this Sub, Allocation, Main Vote Description**

Type [ ] A = Income and Expenditure Sub-Votes; B = Balance Sheet Sub votes; C = Allocation sub votes; M = Main votes

Vote Code [ \_ \_ \_ \_ ] to be created according to chart of accounts

**Descriptions**

English [ \_ ]

Afrikaans [ \_ ]

**Controls**

Debit/Credit [Debit(+)**Asset or Expenditure**] or [Credit(-) **Liability or Income**]

Income / Liability sub-vote? [ \_ ]

Vat Indicator [**Vat compulsory**] or [**Vat Optional**] or [**Non-Vatable**]

GRAP Expend/Asset Group [ \_ \_ \_ \_ ] according to chart of accounts

NT Expend/Asset Group [ \_ \_ \_ \_ ] according to chart of accounts

% Cash-flow [ \_ \_ \_ ]

Global Expenditure % [ \_ \_ \_ ]

**Mark VALID access**

[\_] Consbill [ ] Ledger [ ] Payroll [ ] Stores

[\_] Asset Register [ ] Finance Register [ ] Costing

Job / Allocation? [Job] or [Allocation] or [None]



Re-allocate Expenditure [ \_ ]  
Suppress print? [ \_ ]  
Auto Block Overexpend? [ \_ ]  
Capital Expenditure? [ \_ ]

## ANNEXURE B

### Organisational layout of the Operational Income and Expenditure

New cost centers must be created according to the chart of accounts to ensure continuity and compliance with the NT requirements and MFMA circulars.

#### **With reference to MFMA Circular 10**

#### **The VOTE:**

Section 1 of the MFMA defines a “**VOTE**” as:

- 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

The term “vote” is used to divide the budget into segments and the council then approves the budget according to these votes via resolution. The definition requires votes to be at the departmental or functional level. The reason for this is that municipalities are organized around departments, which in most instances tend to be linked to specific functions. Senior managers head such departments / functions, which makes it easier for the “vote” of a department to be used to facilitate greater accountability for service delivery and budget implementation over the performance of senior managers, in accordance with their annual performance agreements. For effective accountability, senior managers form part of top management and report directly to the municipal manager (Section 77 of the MFMA).

#### **Definition of “Vote” in terms of departments or functions**

The first point to note is that the department needs to be defined in terms of one or more broad functions (e.g. electricity, water and sanitation, etc.). To facilitate comparisons, functions in government must be related to an international classification system like the Government Finance Statistics (GFS) system. GFS functions provide a reasonably high level grouping of related service delivery activities for local government, and it is important that whatever organisational structure a municipality has, it can relate them to GFS sub-functions to the extent this is possible.

#### **High Level “Votes”**

The Budget is the mechanism to execute the strategic plan, and must not be confused with a management plan. It must provide high-level strategic objectives for both councilors and the community, and shift the focus towards outputs and outcomes. Previous municipal budget formats

have been at the level of every detailed line item allocations, focusing only on inputs, and hence were neither strategic nor transparent.

The new format of the budget focuses on outputs, and is meant to be a reasonable high level strategic document while the service delivery and budget implementation plan (SDBIP) is a more detailed management plan. By requiring the “vote” to be at a high level (department and functional area), the MFMA enables councilors to focus on policy and strategy while providing the mechanisms to hold management accountable for service delivery and budget implementation.

The level of the “vote” for the purposes of the MFMA should therefore be arranged around GFS functions and sub-functions, and aligned to senior managers. Note that this in most instances does not require organisational changes, although will be aligned to group easier.

Each GFS function is a “vote” and must have associated with it appropriate breakdowns or sub-functions for operating expenditure, capital expenditure and revenue.

One of the key reforms required by the MFMA is to link **measurable performance objectives** to each “vote”, to ensure that municipalities are accountable to the community for service delivery as well as expenditure and revenue (See Circular No 13 on the SDBIP). Such measurable performance objectives must also be broken down into specific objectives for sub-functions, to be published in the budget or SDBIP, and incorporated into the performance agreements of all managers in that municipality.

The following page indicates how each GFS function (e.g. electricity) is broken up into sub-functions (e.g. electricity distribution, electricity generation and street lightning) where applicable. The GFS sub-functions are the fundamental basic elements that ideally should not be split up between different departments. Note that it is possible to create even smaller basic elements like GFS sub-sub functions, so that electricity distribution itself can be broken down further.

## **1. VOTE STRUCTURE**

The following HIGH Level summaries must be compiled for budget and reporting purposes:

- A. Executive and Council
- B. Finance and Administration
- C. Corporate Services
- D. Community Services
- E. Technical Services

A breakdown by Vote of every high level summary

### **MAIN VOTE NUMBER**

### **VOTE**

#### ***(a) Executive and Council***

##### **Council Administration**

(i)	Council General	0001
(ii)	Mayor Office	0003
(iii)	Speaker Support Office	0005
(iv)	Executive Committee	0007
(v)	Chief Whip	0009
(vi)	Ward Councillors	0011

	<b>Municipal Manager</b>	
(vii)	Municipal Manager Admin	0101

**(b) Budget and Treasury Office**

	<b>Financial Management</b>	
(i)	Budget & Treasury	0201
(ii)	Interns	0203
(iii)	Donations & Relief Allowance	0205
	<b>Expenditure Management</b>	
(iv)	Expenditure & Supply Chain Management	0211
(v)	Payroll Section	0213
(vi)	Asset Management	0215
	<b>Revenue Management</b>	
(vii)	Revenue & Debt Services	0221
(viii)	Assessment Rates	0230

**(c) Corporate Services**

**Corporate Services**

(i)	Corporate Services	0301
(ii)	Fixed Property Services	0303

**Property Services**

(iii)	Support Services	0311
(iv)	LED / IDP	0313
(v)	Youth	0315

**(d) Community Services**

**Community Services**

(vi)	Community Services	0401
(vii)	Library	0403
(i)	Cemeteries	0405

**Sport and Recreation**

(ii)	Sport & Recreation	0411
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**Public Safety**

(iii)	Licencing & Traffic	0431	
(iv)	Disaster Management		0433

**(e) Technical & Engineering Services**

**Technical Services**

(i)	Technical Services Admin	0501	
(ii)	Special Funds	0503	
(iii)	Project Management Unit	0505	

**Roads**

(iv)	Roads	0520	
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**Electricity Services**

(v)	Electricity Services	0530	
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**Water Services**

(vi)	Water Services	0540	
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**Waste Water Management**

(vii)	Sewerage Services	0550	
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**Waste Management**

(viii)	Refuse Services	0560	
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**ANNEXURE C**

**2. Main Revenue by Source and Expenditure by Type with detail descriptions**

**REVENUE BY SOURCE**

**SUB-VOTE**

A. Property Rates	0200
B. Revenue Foregone	0251
C. Property Rates – penalties & collection charges	0300
D. Service charges – Electricity revenue	0401
E. Service charges – Water revenue	0421
F. Service charges – Sanitation revenue	0441
G. Service charges – Refuse revenue	0461
H. Service Charges – Other	0481
I. Rental of facilities and equipment	0700
J. Interest earned – external investments	0800
K. Interest earned – outstanding debtors	1000
L. Dividends received	1100

M. Royalties Received	1151
N. Fines	1300
O. Licenses and permits	1400
P. Agency services	1500
Q. Government Grants & Subsidies: Operational	1600
R. Public Contribution & Donations	1640
S. Government Grants & Subsidies: Capital	1650
T. Other revenue	1700
U. Other Gains on Disposal of Asset	1900
V. Gains on disposal of PPE	1920
W. Profit on sale of Investment Property	1940

#### **EXPENDITURE BY TYPE**

A. Employee related costs: Remuneration	3000
B. Employee related costs: Social contribution	3100
C. Remuneration of councilors	3400
D. Impairment Losses	3500
E. Collection Cost	3600
F. Depreciation & asset impairment	3700
G. Repairs and Maintenance	3800
H. Interest Paid	3900
I. Bulk purchases	4100
J. Contracted services	4200
K. Grants and Subsidies Paid: Operational	4300
L. Free Basic Services	4321
M. Grants and Subsidies Paid: Conditional	4351
N. General expenditure	4400
O. Other losses on Continued Operations	4800
P. Loss on disposal of Assets	4820
Q. Inter Departmental Transfers	5000
R. Contributions to Funds and Reserves (Surplus) / Deficit	6000
S. Interest Allocated to Funds & Reserves	6500
T. Assets Obtained from Grants & Subsidies	6510
U. Expenditure Incurred from Funds & Reserves	6520
V. Disposed Assets from Grants & Subsidies	6530
W. Offsetting of Depreciation	6540
TOTAL OPPROPRIATIONS	
NETT SURPLUS/DEFICIT	
ASSET DISPOSAL ACCOUNT	
X. Disposal of Assets	6550
Y. Disposal of Agricultural Assets	6570

**ANNEXURE D**

**3. GRAP structure of the main ledger**

**CHART OF ACCOUNTS – MAIN LEDGER**

The chart of accounts for the main ledger is created in such a way to enable the user to create votes in the correct area, as well as the correct linking to the Statement of Financial Position and Cash-Flow.

If the user follows this guideline, the municipality will be in a position to print balanced monthly financial statements (excluding final journals) to ensure full NT compliance reporting.

The votes are created in the sequence of main vote, balance sub vote, and allocation vote. **(Examples are included for the user to enable him to create votes correctly – refer to the excel spreadsheet)**

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
<b>NET ASSETS</b>					
<b>5000</b>	<b>STATUTORY RESERVES</b>	6000	Revaluation Reserve	6001 6002 6004 6006 6008 6010 6011 6012	Balance at the Beginning of Additions Transfers Write-offs Sales and Disposals Transfers to Asset Held For Sale Decreases GRAP Adjustments
<b>6101</b>	<b>ACCUMULATED SURPLUS/DEFICIT</b>	6101	Capital Replacement Reserve	6101 6102 6104	Balance at the beginning of year Contributions received Cash utilized/expenditure

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				6106 6108	Income earned Income received
		6103	Capitalisation Reserve	6101 6103 6105 6107 6109 6111 6115	Balance at the beginning of year Receipts/Additions Used to finance assets Transf. to income IRO disposals Transf. to income IRO deprec. Repayment/Refund of Grant GRAP adjustments
		6105	Donations & Public Contributions	6101 6103 6105 6107 6109 6111 6115	Balance at the beginning of year Receipts/Additions Used to finance assets Transf. to income IRO disposals Transf. to income IRO deprec. Repayment/Refund of Grant GRAP adjustments
		6107	Government Grant Reserve	6101 6103 6105 6107 6109 6111 6115	Balance at the beginning of year Receipts/Additions Used to finance assets Transf. to income IRO disposals Transf. to income IRO deprec. Repayment/Refund of Grant GRAP adjustments
		6109	Self-Insurance Reserve	6101 6102 6104 6106 6108	Balance at the beginning of year Contributions received Cash utilized/expenditure Income earned Income received
		6111	Unappropriated Surplus/Accumulated Deficit	6101 6121 6123 6125 6127 6129 6131 6133 6135 6137 6139	Balance at the beginning of year Nett Surplus for the year Transfers to / from CRR Transfers to / from Insurance Res Transfers to / from HDF Transfers to Offset Depreciation Grants utilised to obtained PPE Donations / Contributed PPE Prior Year Adjustments Changes in Accounting Policies GRAP Adjustments
		6121	Unappropriated Housing Reserve	6101 6102 6104 6106 6108	Balance at the beginning of year Contributions received Cash utilized/expenditure Income earned Income received

## LIABILITIES

### NON-CURRENT LIABILITIES

7001	Long-Term Liabilities	7001	Local Registered Stock: (List 01)	7001 7003 7005 7007 7009 7011	Balance at the Beginning of Received during year Redeemed during year Capitalize during year Transfers during year Written-off during year
		7021	Annuity Loans (List 01)	7001 7003 7005 7007 7009 7011	Balance at the Beginning of Received during year Redeemed during year Capitalize during year Transfers during year Written-off during year
		7040	Lease Liabilities (List 01)	7001	Balance at the Beginning of

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				7003 7005 7007 7009 7011	Received during year Redeemed during year Capitalize during year Transfers during year Written-off during year
		7060	Government Loans (List 01)	7001 7003 7005 7007 7009 7011	Balance at the Beginning of Received during year Redeemed during year Capitalize during year Transfers during year Written-off during year
		7070	Other Loans (List 01)	7001 7003 7005 7007 7009 7011	Balance at the Beginning of Received during year Redeemed during year Capitalize during year Transfers during year Written-off during year
			Short-Term Por TRF to Current Liabilities		
		7091	ST.Por-CL: Local Registered Stock	7001 7002	Balance at the Beginning Transactions for the Year
		7092	ST.Por-CL: Annuity Loans	7001 7002	Balance at the Beginning Transactions for the Year
		7093	ST.Por-CL: Lease Liability	7001 7002	Balance at the Beginning Transactions for the Year
		7094	ST.Por-CL: Government Loans	7001 7002	Balance at the Beginning Transactions for the Year
		7095	ST.Por-CL: Other Loans	7001 7002	Balance at the Beginning Transactions for the Year
<b>7101</b>	<b>POST RETIREMENT MEDICAL AID BENEFITS LIABILITY</b>	7101	Provision for Post Retirement Benefits	7101 7103 7105 7107 7109	Balance at the Beginning of Contributions Received Expenditure Incurred Increase due to Discounting Transfers T/F Current Provision
<b>7111</b>	<b>NON-CURRENT PROVISIONS</b>	7111	Provision for Cleaning of Illegal Dumping	7101 7103 7105 7107 7109	Balance at the Beginning of Contributions Received Expenditure Incurred Increase due to Discounting Transfers T/F Current Provision
		7112	Provision for Cleaning of Alien Vegetation	7101 7103 7105 7107 7109	Balance at the Beginning of Contributions Received Expenditure Incurred Increase due to Discounting Transfers T/F Current Provision
		7113	Provision for Long-Term Services	7101 7103 7105 7107 7109	Balance at the Beginning of Contributions Received Expenditure Incurred Increase due to Discounting Transfers T/F Current Provision
		7114	Provision for Rehabilitation of Land-Fill Sites	7101 7103 7105 7107 7109	Balance at the Beginning of Contributions Received Expenditure Incurred Increase due to Discounting Transfers T/F Current Provision
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
<b>7201</b>	<b>CONSUMER DEPOSITS</b>	7201	Electricity & Water	7201 7203 7205	Balance at the Beginning Receipts Funds Refunded
<b>7203</b>	<b>PROVISIONS</b>	7203	Performance Bonus	7201	Balance at the Beginning of



Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				7202	Contributions received
				7204	Expenditure Incurred
		7204	Staff Leave	7201	Balance at the Beginning of
				7202	Contributions received
				7204	Expenditure Incurred
		<b>CURRENT PORTION OF NON-CURRENT PROVISIONS</b>			
		7205	Current Portion of Illegal Dumping	7201	Balance at the Beginning of
				7202	Contributions Received
				7204	Expenditure Incurred
				7206	Transfer Ex Non-Current Reserves
		7206	Current Portion of Alien Vegetation	7201	Balance at the Beginning of
				7202	Contributions Received
				7204	Expenditure Incurred
				7206	Transfer Ex Non-Current Reserves
		7207	Current Portion of Long-term Service	7201	Balance at the Beginning of
				7202	Contributions Received
				7204	Expenditure Incurred
				7206	Transfer Ex Non-Current Reserves
		7208	Current Portion of Land-Fill Sites	7201	Balance at the Beginning of
				7202	Contributions Received
				7204	Expenditure Incurred
				7206	Transfer Ex Non-Current Reserves
		7209	Current Portion of Post-Retirement Benefits	7201	Balance at the Beginning of
				7202	Contributions Received
				7204	Expenditure Incurred
				7206	Transfer Ex Non-Current Reserves
<b>7210</b>	<b>CREDITORS Exchange Services</b>	7211	Trade Creditors: Outstanding	7201	Balance at the Beginning
				7203	Purchases
				7205	Repayment
		7221	Payments Received in Advance	7211	Debtors
				7213	Services
<b>7210</b>	<b>RETENTION ACCOUNT</b>	7231	Retention account (List 001)	7201	Balance at the Beginning
				7202	Receipts
				7204	Funds Utilised
				7207	Funds Refunded
<b>7300</b>	<b>SUNDRY DEPOSITS</b>	7301	Sundries	7301	Balance at the Beginning
				7303	Receipts
				7305	Funds Utilised
				7307	Funds Refunded
		7303	Tender	7301	Balance at the Beginning
				7303	Receipts
				7305	Funds Utilised
				7307	Funds Refunded
		7305	Rental	7301	Balance at the Beginning
				7303	Receipts
				7305	Funds Utilised
				7307	Funds Refunded
		7307	Botleng Housing	7301	Balance at the Beginning
				7303	Receipts
				7305	Funds Utilised
				7307	Funds Refunded
		7309	Botleng Tender+Sundry	7301	Balance at the Beginning
				7303	Receipts
				7305	Funds Utilised
				7307	Funds Refunded
		7311	Library	7301	Balance at the Beginning
				7303	Receipts
				7305	Funds Utilised
				7307	Funds Refunded

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
		7313	Flowers & Plants	7301 7303 7305 7307	Balance at the Beginning Receipts Funds Utilised Funds Refunded
		7315	Builders	7301 7303 7305 7307	Balance at the Beginning Receipts Funds Utilised Funds Refunded
		7317	Other	7301 7303 7305 7307	Balance at the Beginning Receipts Funds Utilised Funds Refunded
<b>7330</b>	<b>OTHER CREDITORS</b>	7331	M/Vehicle Reg – See Suspense Accounts		
		7333	Unclaimed Moneys	7301 7303 7305 7307	Balance at the Beginning Receipts Funds Utilised Funds Refunded
		7335	Donation: HE Green	7301 7303 7305 7307	Balance at the Beginning Receipts Funds Utilised Funds Refunded
		7337	Donation: JW Fiske	7301 7303 7305 7307	Balance at the Beginning Receipts Funds Utilised Funds Refunded
		7339	SUSPENSE ACCOUNTS	7309	Transfer from Suspense Accounts
<b>7401</b>	<b>Unspent Conditional Grants</b>	7401	Finance Management Grant	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7405	National Treasury	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7411	Municipal Infrastructure Grant (MIG)	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7421	Municipal Systems Improvement Grant (MSIG)	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7425	Dept of Arts & Culture	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7431	Dept of Mineral & Energy	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7433	Dept of Provincial & Local Government	7401 7403	Balance at the Beginning Received during Year

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				7405 7407 7409	Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7435	DPLG: Public Transport	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7437	DPLG: Other	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7441	Dept of Public Works	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7445	Dept of Sport & Recreation	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7451	Dept of Transport	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7454	SETA: LED Learnership	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7455	Prov. Dept of Agriculture	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7461	Prov. Dept of Environmental Affairs	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7471	Prov. Dept of Local Government & Housing	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7481	Prov. Dept of Transport & Public Works	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7485	Local District Municipality	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7491	Other Government	7401	Balance at the Beginning

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				7403 7405 7407 7409	Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7492	Other: DBSA	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
		7495	Public Contributions	7401 7403 7405 7407 7409	Balance at the Beginning Received during Year Interest for Year T/Fer to Rev-Cond. Met: Opex T/Fer to Rev-Cond. Met: Capex
<b>7501</b>	<b>VAT CONTROL ACCOUNT</b>	7501	VAT: Debtors Control Account	7501 7503	Balance at the Beginning Transactions for Year
		7503	VAT: Output Vote (Debtors)	7501 7503	Balance at the Beginning Transactions for Year
		7505	VAT: Input (Creditors)	7501 7503	Balance at the Beginning Transactions for Year
		7507	VAT: Output VAT Paid (Debtors)	7501 7503	Balance at the Beginning Transactions for Year
		7509	VAT: Input Paid (Creditors)	7501 7503	Balance at the Beginning Transactions for Year
		7511	VAT: Creditors Control Account	7501 7503	Balance at the Beginning Transactions for Year
		7513	VAT: Paid to SARS	7501 7503	Balance at the Beginning Transactions for Year
		7515	VAT: Stores Purchases	7501 7503	Balance at the Beginning Transactions for Year
		7517	VAT: Bad Debts	7501 7503	Balance at the Beginning Transactions for Year
<b>7531</b>	<b>SHORT TERM LOANS</b>	7531	Call Bond	7531 7533 7535 7537 7538 7539	Balance at the Beginning Received during Year Redeemed during Year Capitalized during Year Transferred during Year Written-off during Year
		7535	Other	7531 7533 7535 7537 7538 7539	Balance at the Beginning Received during Year Redeemed during Year Capitalized during Year Transferred during Year Written-off during Year
<b>7541</b>	<b>OPERATING LEASE LIABILITY</b>	7541	Operating Lease Liability	7541 7543 7545	Balance at Beginning of the Year Lease Expenditure Recorded (Straight-Line) Lease Expenditure Effected (Actual)
<b>7581</b>	<b>Short-Term Portion of Long-Term Liabilities</b>	7581	S T Portion T/Fer from Deferred Revenue	7581 7583	Balance at Beginning Transactions for the Year
		7583	S T Portion T/Fer From L T Liabilities	7581 7583	Balance at Beginning Transactions for the Year

**ASSETS**

**NON-CURRENT ASSETS**

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
<b>PROPERTY PLANT AND EQUIPMENT</b>					
<b>0001</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	8001	Land and Buildings	8001 8003 8005 8006 8007 8009 8011 8013	Balance at the Beginning Additions Transfers Borrowing Costs Capitalized Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale
		8002 8003 8004 8005 8006 8007	Infrastructure Assets Community Assets Heritage Assets Housing Assets Leased Assets Other Assets	Same as above	Same as above
<b>0003</b>	<b>PPE: COST OF WORK IN PROGRESS</b>	8001	Land and Buildings	8001 8003 8005	Balance at the Beginning Additions Transfers
		8002 8003 8004 8005 8006 8007	Infrastructure Assets Community Assets Heritage Assets Housing Assets Leased Assets Other Assets	Same as above	Same as above
<b>0005</b>	<b>PPE: REVALUATION</b>	8001	Land and Buildings	8001 8003 8005 8007 8009 8011 8013 8015	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale Decreases
		8002 8003 8004 8005 8006 8007	Infrastructure Assets Community Assets Heritage Assets Housing Assets Leased Assets Other Assets	Same as above	Same as above
<b>0006</b>	<b>PPE: ACCUMULATED DEPRECIATION</b>	8001	Land and Buildings	8001 8003 8005 8007 8009 8011 8013	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale
		8002 8003 8004 8005 8006 8007	Infrastructure Assets Community Assets Heritage Assets Housing Assets Leased Assets Other Assets	Same as above	Same as above

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
007	<b>PPE: DEPRECIATION ON VALUATION</b>	8001	Land and Buildings	8001 8003 8005 8007 8009 8011 8013	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale
		8002 8003 8004 8005 8006 8007	Infrastructure Assets Community Assets Heritage Assets Housing Assets Leased Assets Other Assets	Same as above	Same as above
008	<b>PPE: ACCUMULATED IMPAIRMENT</b>	8001	Land and Buildings	8001 8003 8005 8007 8009 8011 8013 8016	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale Reversals
		8002 8003 8004 8005 8006 8007	Infrastructure Assets Community Assets Heritage Assets Housing Assets Leased Assets Other Assets	Same as above	Same as above
011	<b>INVESTMENT PROPERTY</b>	8011	Historical Cost	8001 8003 8005 8007 8009 8011 8013 8015	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale Reversals
		8012 8013 8014 8015	Accumulated Revaluation Accumulated Depreciation – Cost Accumulated Depreciation – Valuation Accumulated Impairment	Same as above	Same as above
013	<b>INTANGIBLE ASSETS</b>	8011	Historical Cost	8001 8003 8005 8007 8009 8011 8013 8015	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale Reversals
		8012 8013	Accumulated Revaluation Accumulated Depreciation – Cost	Same as above	Same as above

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
		8014	Accumulated Depreciation – Valuation		
		8015	Accumulated Impairment		
018	<b>AGRICULTURAL ASSETS</b>	8018	At Fair Value	8001 8003 8005 8007 8009 8011 8013 8015	Balance at the Beginning Additions Transfers Write-Offs Sales and Disposals Transfers to Other Components Transfer to Assets Held-for-Sale Adjustments made to Fair Value
020	<b>LONG-TERM INVESTMENTS</b>	8021-8060	List Investments by type	8021 8023 8025 8027 8029	Balance at the beginning Invested during Year Interest Capitalised during year Sold/Withdrawal during Year Transferred during Year
		8061-8080	Unlisted Investment by type	Same as above	Same as above
		8081-8099	Financial Instruments		
101	<b>SHORT TERM PORTION TO CURRENT ASSETS</b>	8101	Listed Investments	8101 8103	Balance at the Beginning Transactions for Year
		8102	Unlisted Investments	8101 8103	Balance at the Beginning Transactions for Year
		8103	Financial Instruments	8101 8103	Balance at the Beginning Transactions for Year
121	<b>INVESTMENT IN ASSOCIATES</b>	8121	INVESTMENT IN ASSOCIATES	8021 8023 8025 8027 8029	Balance at the Beginning Invested during the Year Interest Capitalized during year Sold/Withdrawn during year Transferred during year
131	<b>FINANCE LEASE RECEIVABLES</b>	8131	Lease Agreements	8131 8133 8135	Balance at the beginning New Agreements during the year Redeemed during the year
		8133	Prov. Impairment: Lease Receivables	8131 8132 8134 8136 8138	Balance at the beginning Impairment Recognised/Provided Impairment Reversed Bad Debts written off Bad Debts Recovered
		8135	Short-term Portion TRF to current Assets	8131 8137	Balance at the beginning Transactions for the year
201	<b>LONG-TERM DEBTORS</b>	8201	Formosa Garden Village	8201 8203 8205	Balance at the beginning Capitalized during year Redeemed during year
		8202	Other Housing Projects	8201 8203 8205	Balance at the beginning Capitalized during year Redeemed during year
		8221	Sale of Erven Loans	8201 8203 8205	Balance at the beginning Capitalized during year Redeemed during year
		8261	Sundry Loans	8201 8203 8205	Balance at the beginning Capitalized during year Redeemed during year
		8291	Provision for Impairment: Long-Term Debtors	8201 8202 8204 8206	Balance at the beginning Impairment recognized/provided Impairment reversed Bad debts written off

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				8208	Bad debts recovered
		8293	S.T.P. Housing Scheme Loans	8201 8209	Balance at the beginning Transactions for the year
		8294	S.T.P. Sale of Erven Loans	8201 8209	Balance at the beginning Transactions for the year
		8295	S.T.P. Sundry Loans	8201 8209	Balance at the beginning Transactions for the year
<b>CURRENT ASSETS</b>					
<b>001</b>	<b>INVENTORY</b>	9001	Consumables Stores	9001 9003 9005	Balance at the beginning Purchases Issues
		9002	Stock Control: 2000	9001 9003 9005	Balance at the beginning Purchases Issues
		9004	Stock Control: 4000	9001 9003 9005	Balance at the beginning Purchases Issues
		9008	Stock Control: 8000	9001 9003 9005	Balance at the beginning Purchases Issues
		9009	Stock Control: 9000	9001 9003 9005	Balance at the beginning Purchases Issues
		9012	Water	9001 9003 9005	Balance at the beginning Purchases Issues
<b>021</b>	<b>ASSETS CLASSIFIED AS HELD-FOR-SALE</b>	9021	Property Held-for-sale	9021 9023	Balance at the beginning Transactions for the year
		9041	Other Assets held-for-sale	9021 9023	Balance at the beginning Transactions for the year
		9051	Liabilities associated with A.H.4.S	9021 9023	Balance at the beginning Transactions for the year
<b>100</b>	<b>CONSUMER DEBTORS Trade Receivables from Exchange and Non-Exchange Transactions</b>	9101	Assessment Rates	9101 9103	Balance at Beginning of year Transactions for the year
		9102	Electricity	Same as above	Same as above
		9103	Refuse		
		9104	Sewerage	0061	
		9105	Water	0062	
		9106	Miscellaneous Vatable		
		9107	Miscellaneous Not Vatable	0063	
		9108	VAT		
		9109	New Property Rates		
<b>121</b>	<b>SUNDRY SERVICES</b>	9121	Sundry Debtors	9101 9103	Balance at the beginning Transactions for the year
		9141	Masakane	9101 9103	Balance at the beginning Transactions for the year
		9145	Car Loans	9101 9103	Balance at the beginning Transactions for the year



Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
		9151	Study Loans	9101 9103	Balance at the beginning Transactions for the year
		9181	Other Services	9101 9103	Balance at the beginning Transactions for the year
<b>0191</b>	<b>PROVISION FOR IMPAIRMENT: CONSUMER DEBTORS</b>	9181	Assessment Rates	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9182	Electricity	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9183	Refuse	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9184	Sewerage	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9185	Water	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9186	VAT	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9187	Loans	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9188	Sundries (no VAT)	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9189	Sundries	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9190	Pre-Paid Electricity	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
		9191	Housing Rentals	9101 9102 9104 9106	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				9108	Bad Debts recovered
		9192	Sundry Services	9101 9102 9104 9106 9108	Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
<b>9201</b>	<b>OTHER DEBTORS</b>	9201 9205 9211 9231 9241 9261 9264 9291 9292 9293 9297	Payments made in advance Capital projects Government Subsidy claims Staff advances Sundry Deposits Sundry Debtors Debtors from Suspense acc Fruitless & Wasteful Exp. Irregular expenditure Unauthorized Expenditure Prov. for Bad Debts Sundries	9201 9203 0801-0899  9201 9202 9204 9206 9208	Balance at the beginning Transactions for the year If you need to create a listing under any other debtor type, use this range in stead of 9201 & 9203  Balance at the beginning Impairment recognized/provided Impairment reversed Bad Debts written off Bad Debts recovered
<b>9301</b>	<b>SHORT TERM INVESTMENT DEPOSITS</b>	9301-9340  9341-9380  9381	List of Call Deposits  Notice Deposits  S.T Portion of L.T Investments	9301 9303 9305 9307 9309  9301 9303 9305 9307 9309  9301 9302	Balance at the beginning Invest during the year Interest Capitalised during year Sold/Withdrawal during the year Transferred during year  Balance at the beginning Invest during the year Interest Capitalised during year Sold/Withdrawal during the year Transferred during year  Balance at the beginning Transactions for the year
<b>9401</b>	<b>BANK BALANCES AND CASH</b>	9401  9402  9411-9450  9411	Primary Bank Account  Cash Bank Account  Cash Floats and Advances  Petty Cash  List all floats and petty cash	9401 9402 9403 9404 9405 9406 9407 9408 9409  9411 9412 9413 9414 9415  9401 9410  Same as above	Balance at the beginning Cash Suspense: Normal Cash Suspense: Bank Deposits Cash Suspense: Post Office Cash Suspense: Easy Pay Cash Suspense: RD Cheques Cash Suspense: ACB Payments Cash Suspense: Cheque Finals Cash Suspense: All Transfers  Balance at the beginning Income during the year Expenditure during the year Transferred during the year VAT Transfers during the year  List floats per pay-point, can also be used for petty-cash  Balance at the beginning Transactions for the year  Same as above

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
		9451	Other Cash Equivalents		
			Cash Equiv: Revenue	9401	Balance at the beginning
			Stamps	9410	Transactions for the year
		9452	Cash Equiv: Other	9401	Balance at the beginning
				9410	Transactions for the year
0461	<b>S.T PORTION OF L.T. RECEIVABLES</b>	9461	S.T. Portion from L.T Debtors	9461	Balance at the beginning
				9463	Transactions for the year
		9463	S.T Portion from L.T Finance Leases	9461	Balance at the beginning
				9463	Transactions for the year

### SUSPENSE ACCOUNTS

0501	<b>Salary Controls</b>	9511 to 9560	Listing of all salary control accounts needed	0000	
0503	<b>Debtors Controls</b>	9561 to 9580	Listing of all debtor control accounts needed	0000	
0505	<b>Unclaimed Deposits</b>	9581 to 9590	Listing of all unclaimed deposits needed	0000	
0507	<b>Sundry Controls</b>	9591 to 9600	Listing of all sundry controls needed	0000	
0509	<b>Recoverable Work</b>	9601 to 9630	Listing of all recoverable work needed	0000	
0511	<b>Provision Year End Creditors</b>	9631 to 9640	Listing of all Provision for Year-end Creditors needed	0000	
0513	<b>Current Year Controls</b>	9641 to 9650	Listing of all Current Year controls needed	0000	
0515	<b>Sale of Erven</b>	9651 to 9660	Listing of all Sale of Erven Controls needed	0000	
0521	<b>Insurance Claims</b>	2801 – 3000	Listing of all Insurance Claims needed	0000	
0523	<b>Retention Control Account</b>	3001 – 3999	Listing of all Retention Controls needed	0000	
0531	<b>Summary of Suspense accounts</b>	9691	Transfer of Sundry Debtors to Other Debtors	0000	
		9693	Transfer of Sundry Creditors to Other Creditors	0000	

Provision is made for Capital projects under C001, if the municipal run out of space due to the nature of the capital budget, some of these funding sources that are not in use by the municipality, can be deleted, to make space available for other projects. You also may use alpha/numerical numbers if needed, just try to keep the ranges.

### CAPITAL PROJECTS

**C001** Council General (The Capital votes is the same ranges as the normal votes, but only starts with a “C” to indicate it’s Capital.

<b>C001 – C485</b>	<b>Listing of all Capital Projects by Vote and Section</b>	The sub vote ranges indicates the different funding sources, e.g. Capital from own revenue starts with A701, National Projects starts with N701, Provincial Projects starts with P701 and Other Grants starts with M701.	The last four digits indicate the projects. Project ranges are as follows: Projects funded from revenue: 1001 – 2000 Projects funded from COGTA: C001 - C999 Projects funded from DBSA: B001 - B999 Projects funded from DPLG&H: P001 - P999 Projects funded from EPWP: E001 - E999 Projects funded from FMG: F001 - F999 Projects funded from MIG: M001 – M999 Projects funded from MSIG: S001 – S999 Projects funded from District Grants: D001 – D999 Projects funded from DWAF: W001 – W999  The project ranges is not fixed and can be amended according to the municipalities needs.
		N701	<b>INFRASTRUCTURE</b> IN: Roads, Pavements & Bridges
		N702	IN: Stormwater
		N703	IN: Elec. Generation

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
		N704	IN: Elec. Transmission, Retic		
		N705	IN: Elec. Street Lighting		
		N706	IN: Water, Dams & Reservoirs		
		N707	IN: Water Purification		
		N708	IN: Water Reticulation		
		N709	IN: Sanitation Reticulation		
		N710	IN: Sanitation Sewer Purification		
		N711	IN: Other Waste Management		
		N712	IN: Other Transportation		
		N713	IN: Other GAS		
		N714	IN: Other		
			<b><u>COMMUNITY</u></b>		
		N730	CO: Parks & Gardens		
		N731	CO: Sportfields & Stadions		
		N732	CO: Swimming Pools		
		N733	CO: Community Halls		
		N734	CO: Libraries		
		N735	CO: Recreation Facilities		
		N736	CO: Fire, Safety & Emergency		
		N737	CO: Security & Policing		
		N738	CO: Buses		
		N739	CO: Clinics		
		N740	CO: Museums & Art Galaries		
		N741	CO: Cemeteries		
		N742	CO: Social Renting Housing		
		N743	CO: Other		
			<b><u>HERITAGE ASSETS</u></b>		
		N750	HE: Buildings		
		N751	HE: Other		
			<b><u>INVESTMENT PROPERTY</u></b>		
		N755	IN PROP: Housing Develop		
		N756	IN PROP: Other		
			<b><u>OTHER ASSETS</u></b>		
		N760	OA: General Vehicles		
		N761	OA: Specialized Vehicles		
		N762	OA: Plant & Equipment		
		N763	OA: Computers – Hardware/Eq		
		N764	OA: Furniture & Office Equip		
		N765	OA: Abattoirs		
		N766	OA: Markets		
		N767	OA: Civil, Land & Building		
		N768	OA: Other Buildings		
		N769	OA: Other Land		
		N770	OA: Surplus Asset(Invest,Inve		
		N771	OA:Other		
			<b><u>AGRICULTURAL ASSETS</u></b>		
		N775	AG: List Sub Class		
			<b><u>BIOLOGICAL ASSETS</u></b>		
		N776	BA: List Sub Class		
			<b><u>INTANGIBLE ASSETS</u></b>		
		N777	IT: Computers – Software, Pro		
		N778	IT: Other		
			<b><u>SPECIALISED VEHICLES</u></b>		
		N790	SV: Refuse		
		N791	SV: Fire		
		N792	SV: Conservancy		
		N793	SV: Ambulances		
9900	<b>EXTERNAL FINANCING FUND EFF-CONTROL ACCOUNTS</b>	9901	Interest Control Account	9901 9903 9905 9907	Balance at the Beginning Interest Received during year Interest Paid during year Interest Charged to Services
		9903	Advances to Services	9901 9903	Balance at the Beginning Interest Received during year

Main Vote	Description	Sub Vote	Description	Allocation Vote	Description
				9905	Interest Paid during year
				9907	Interest Charged to Services
		9905	Adv. from EFF: Rates	9911	Balance at the Beginning of
				9913	Received during the Year
				9915	Redeemed During the Year
				9917	Capitalized During the Year
				9919	Transferred During the Year
		9906	Adv. from EFF: Electricity	9911	Balance at the Beginning of
				9913	Received during the Year
				9915	Redeemed During the Year
				9917	Capitalized During the Year
				9919	Transferred During the Year
		9907	Adv. from EFF: Water	9911	Balance at the Beginning of
				9913	Received during the Year
				9915	Redeemed During the Year
				9917	Capitalized During the Year
				9919	Transferred During the Year
		9908	Adv. from EFF: Sewerage	9911	Balance at the Beginning of
				9913	Received during the Year
				9915	Redeemed During the Year
				9917	Capitalized During the Year
				9919	Transferred During the Year
		9909	Adv. from EFF: Housing	9911	Balance at the Beginning of
				9913	Received during the Year
				9915	Redeemed During the Year
				9917	Capitalized During the Year
				9919	Transferred During the Year
		9910	Adv. from EFF: Cleansing	9911	Balance at the Beginning of
				9913	Received during the Year
				9915	Redeemed During the Year
				9917	Capitalized During the Year
				9919	Transferred During the Year

**CUSTOMER CARE, CREDIT CONTROL AND REVENUE  
MANAGEMENT POLICY  
(Adopted by council on 30 May 2019)**

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# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI



## P R E A M B L E

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit

control and debt collection policy;

**AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;**

NOW THEREFORE the Municipal Council of the Municipality of Thembelihle adopts the policies as set out in this document.

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1. **Definitions**

For the purposes of this policy, unless the context otherwise indicates –

**“account holder”** means any person who is due to receive a municipal account, which includes a user of a pre-paid electricity or water;

**“annual budget”** means the budget approved by the municipal council for any particular financial year, and includes any adjustments to such budget;

**“applicant”** means a person who applies for the supply of municipal services;

**“arrears”** means any amount that the consumer and or owner was billed for and which was not paid in full on the account payment due date and is therefore regarded as outstanding the day following the account payment due date;

**“billing”** means invoicing on a municipal account to an account holder of an amount or amounts payable for rates, metered services, other municipal charges, levies, fees, fines, taxes, or any other amount or amounts payable arising from any other liability or obligation;

“**consumer**” means the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the municipality for the supply of municipal services to such premises, or, if there be no such person, then the owner of the premises, and “**domestic consumer**” or

“**domestic user**” of municipal services means the person or household to which municipal services are rendered in respect of residential property;

“**consumer price index**” means the consumer price index (CPIX) as determined and gazetted by the South Bureau of Statistics;

“**Council**” means the Council of the Thembelihle Municipality (or any service provider to the municipality);

“**credit control**” means all the functions relating to the collection of revenue;

“**customer management**” means the focusing on the account holder’s needs in a responsive and proactive way to encourage payment and thereby limiting the need for enforcement;

“**customer service centre**” means and serves as –

- (a) an office where an applicant may apply for services and enter into a service agreement with the municipality;
- (b) an office where an account holder may settle an account or may make pre-payment for services;
- (c) a credit screening point where the credit assessment of an applicant can be processed; or (d) an office where an account holder may query or verify accounts and metered consumption, and may communicate grievances, inquiries, recommendations and other relevant issues to the municipality and from where the response from the municipality can be conveyed to the account holder;

“**due date**” means the date specified as such on a municipal account despatched from the offices of the responsible officer for any charges payable and which is the last day allowed for the payment of such charges;

“**interest**” means an amount calculated at a rate determined by the municipality on a municipal account in arrears;

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

- (a) acquired the property through the provision of the Land and Assistance Act, 1993 (Act 126 of 1993);
- (b) acquired the property through the provision of the Restitution of Land Rights Act, 1994 (Act 22 of 1994);
- (c) holds the property subject to the Communal Property Associations Act, 1996 (Act 29 of 1996); or
- (d) holds or acquires the property in terms of such other land tenure reform legislation as may be enacted;

“**local community**” or “**community**”, in relation to the municipality, means that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic, non- governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and 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;

**“market value”** in relation to a property means the value of the property as determined in accordance with section 46 of the Property Rates Act, 2004 (Act 6 of 2004);

**“minor tariffs”** means all tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of services, other than major services, supplied, and includes services incidental to the provision of the major services, but does not include tariffs for major services;

**“month”** means one of 12 months of a calendar year;

**“municipal account”** means an account rendered on which is billed an amount or amounts payable to the municipality for rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation;

**“municipal entity”** means –

(a) a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation, and which operates under the ownership or control of one or more municipalities; or

(b) a service utility;

**“municipality”** means the Municipality of Thembelihle, and includes any political structure, political office bearer, Councillor, duly authorised agent thereof or any employee thereof acting in connection with this by-law by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, municipality or, agent or employee;

**“municipal manager”** means the person appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

**“municipal property”** includes a property owned by a municipal entity;

**“multiple purposes”**, in relation to a property, means the use of a property for more than one purpose;

**“municipal services”** means those metered services and other municipal services for which payment is required by the municipality;

**“municipal tariff”** means a tariff for services which the municipality sets for the provision of a service to the local community, such as a tariff set for major services or a minor tariff, and includes a surcharge on such service;

**“occupier”** means any person who occupies any premises or part thereof without regard to the title under which the person occupies, and includes – (a) any person in actual occupation of those premises;

(b) any person legally entitled to occupy those premises;

(c) in the case of those premises being subdivided and let to lodgers or various tenants, the person receiving the rent payable by such lodgers or tenants whether on the person’s own account or as agent for any person entitled thereto or interested therein;

(d) any person having the charge or management of those premises, and includes the agent of any such person when the person is absent from the Republic of South Africa or his or her whereabouts are unknown; and

(e) the owner of those premises;

**“officer”** means an employee of the municipality or any other person who is specifically authorised thereto by the municipality to perform any act, function or duty in terms of, or exercise any power under this policy;

**“organ of state”** means an organ of state as defined in section 239 of the Constitution;

**“owner”**, in relation to –

(a) a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;

(b) a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;

(c) 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; and

(d) public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, however, the municipality may, for the purposes of the Property Rates Act, 2004 (Act 6 of 2004), regard as the owner of a property –

(i) ) in the case of a property in a trust, but excluding state trust land, a trustee,;

(ii) in the case of a property in a deceased estate, an executor or administrator;

(iii) the case of a property in an insolvent estate or in liquidation, a trustee or liquidator; (iv) in the case of a property in the estate of a person under judicial management, a judicial manager;

(v) ) in the case of a property in the estate of a person under curatorship, a curator;

(vi) in the case of a property that is subject to a usufruct or other personal servitude, a person in whose name a usufruct or other personal servitude is registered;

(vii) in the case of a property that is registered in the name of the municipality and is leased by it, a lessee; and

(viii) in the case of a property sold by the municipality and of which possession was given to the buyer pending registration of ownership in the name of such buyer, a buyer;

**“permitted use”**, in relation to a property, means the limited purposes for which the property may be used in terms of any restrictions imposed by a condition of title, a provision of the municipality’s town planning or land use scheme, or any legislation applicable to any specific property or properties, or any alleviation of any such restrictions;

**“person”** includes a legal person and an organ of state;

**“preferred customer”** means a person who may be granted special concessions by the municipality;

“**premises**” means any piece of land, the external surface boundaries of which are delineated on – (a) a general plan or diagram registered in terms of Land Survey, Act of 1927 (Act 9 of 1927), or in terms of the Deeds Registry, Act of 1937 (Act 47 of 1937); or

(b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act 93 of 1986), which is situated within the area of jurisdiction of the municipality;

(c) and includes any other land and any building or structure above or below the surface of any land;

“**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 the person, but 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, such as a “land reform beneficiary”; and

(d) public service infrastructure;

“**publicly controlled**” means owned by or otherwise under the control of an organ of state, including a public entity listed in the Public Finance Management Act, 1999 (Act 1 of 1999), a municipality, or a municipal entity;

“**public service infrastructure**” means publicly controlled infrastructure of the following kinds: (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;

(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme servicing the public; (c) power stations, power sub-stations or power lines forming part of an electricity scheme serving the public;

(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuel forming part of the scheme for transporting such fuels;

(e) railway lines forming part of a national railway system;

(f) communication towers, masts, exchanges and lines forming part of a communication system serving the public;

(g) runways or aprons at national or provincial airports;

(h) breakwaters, seawalls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels; (i) any other publicly controlled infrastructure as may be prescribed by law; and (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

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

“**rateable property**” means property on which the municipality may in terms of section 2 of the Property Rates Act, 2004, levy a rate, but excludes property fully excluded from the levying of rates in terms of section 17 of that Act, but includes any rights registered against such property, with the exception of a mortgage bond;

“**ratepayer**” means a person who is liable to the municipality for the payment of rates on property in the municipality, any other tax, duty or levy imposed by the municipality, or fees for services provided either by the municipality or in terms of a service delivery agreement, or a combination of the above;

“**rebate**”, in relation to a rate payable on a property, means a discount granted in terms of section 15 of the Property Rates Act, 2004 on the amount of the rate payable on the property;

“**residential property**” means a property included in the valuation roll as residential in terms of section 48(2)(b) of the Property Rates Act, 2004;

“**revenue**” means all monies due to the municipality and to which the municipality has the right to exact and to enforce payment of, irrespective of the reason for or the origin of its factuality;

“**sectional title scheme**” means a scheme as defined in section 1 of the Sectional Titles Act, 1986 (Act 95 of 1986);

“**sectional title unit**” means a unit as defined in section 1 of the Sectional Titles Act, 1986 (Act 95 of 1986);

“**state trust land**” means land owned by the state and held in trust for persons communally inhabiting the land in terms of a traditional system of land tenure, over which land tenure rights have been registered or granted, or which is earmarked for disposal in terms of the Restitution of Land Rights, 1994 (Act 22 of 1994);

“**tampering**” means any unauthorised interference with the municipality’s supply, seals and metering equipment and “tamper” has a corresponding meaning;

“**target**” means realistic targets which may be set by the municipality ; and

“**tariffs for major services**” means tariffs set for the supply and consumption or usage of major services;

“**unreliable customer**” includes an account holder, who according to his or her payment record fails to settle his or her municipal account by the due date or who is in arrears with payments due to council or who tampers or interferes with metering equipment, seals or the supply of municipal services.

## CHAPTER 1

### CUSTOMER CARE PRINCIPLES, OBJECTIVES, IMPLEMENTATION, DIFFERENTIATION AND APPLICATION OF POLICY

#### 2. Customer care principles, and objectives

- (1) The municipality aims –
  - (a) to move progressively towards the social and economic upliftment of the community in harmony with its natural environment;
  - (b) to provide basic services that are affordable to all its people, and specifically to the poor and disadvantaged, provided that, where applicable, service fees, rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable, arising from any other liability or obligation, are paid for;
  - (c) to engage the active participation of the community in the municipality's affairs, in particular in planning, service delivery and performance management;
  - (d) to provide efficient, effective and transparent administration that conforms to constitutional principles;
  - (e) to ensure that the municipality is financially and economically viable; and
  - (f) to create a harmonious relationship between the municipality and the community through the acknowledgement of reciprocal rights and duties.
  
- (2) The municipality by this policy, within the scope and spirit of the Constitution, the Local Government Municipal Systems Act, 2000 (Act 32 of 2000), and the Property Rates Act, 2004 (Act 6 of 2004) and any amendments thereto, gives effect to the principles underlying and expressed in these Acts, and therefore designs, regulates on and implements – (a) a customer care and management system which has as purpose –
  - (i) to create a positive and reciprocal relationship between the municipality and an account holder;
  - (ii) to establish mechanisms for an account holder to give feedback to the municipality regarding the quality of the services and the performance of the municipality;
  - (iii) to ensure that reasonable steps are taken to inform an account holder of the costs involved in service provision, the reasons for payment of service fees, and the manner in which monies raised from the services provided, are utilised;

- (iv) to ensure, where the consumption of services has to be measured, that reasonable steps are taken to measure the consumption by individual account holders of services through accurate and verifiable metering systems;
  - (v) to ensure that an account holder receives regular and accurate accounts that indicate the basis for calculating the amounts due;
  - (vi) to provide accessible mechanisms for an account holder to query or verify a municipal account and metered consumption and appeal procedures which allow the account holder to receive prompt redress for inaccurate accounts;
  - (vii) to provide accessible mechanisms for dealing with complaints from an account holder, together with prompt replies and corrective action by the municipality, and to provide mechanisms to monitor the response time and efficiency of the municipal's actions; and
  - (viii) to provide for accessible pay points and other mechanisms for settling an account or for making pre-payments for services.
- (b) credit control and debt collection mechanisms and procedures which aim to ensure, subject to the Act and other legislation, that all money that is due and payable, from whatever source or cause, to the municipality, is collected; and
- (c) structures for tariffs and rates.

#### **APPLICATION OF POLICY**

This policy shall only apply to money due and payable to the Council for -

- (a) Rates;
- (b) Fees, surcharges on fees, charges and tariffs in respect of municipal services, such as –
  - (i) The provision of water;
  - (ii) Refuse removal;
  - (iii) Sewerage;
  - (iv) The removal and purification of sewerage;
  - (v) Electricity consumption;
  - (vi) Interest which has accrued or will accrue in respect of money due and payable to the Council;
  - (vii) Collection charges in those cases where the Council is responsible for –
    - (aa) The rendering of municipal accounts in respect of any one or more of the municipal services;



(bb) The recovery of amounts due and payable in respect thereof, irrespective whether the municipal services, or any of them, are provided by the Council itself or by a service utility with which it has concluded a service provider agreement to provide a service on the municipality's behalf; and

(c) All sundry charges for ad hoc services rendered by the municipality

**3.2** This policy shall also apply to municipal services provided through pre-paid meters.

### **3. RESPONSIBILITY/ACCOUNTABILITY FOR CREDIT CONTROL AND DEBT COLLECTION**

#### **3.1 Municipal Manager responsible officer** The Municipal Manager –

- (a) is responsible to the Council for the implementation and enforcement of the provisions of this policy;
- (b) must, for the purposes of paragraph (a) take the necessary steps to implement and enforce the provisions of this policy;
- (c) is accountable to the Council for the agreed performance targets as approved by the Council, and for these purposes must –
  - (i) report to the Council on matters relating to this policy, including but not limited to –
    - (aa) the effectiveness of administrative mechanisms, resources processes and procedures to collect money that is due and payable to the municipality;
    - (bb) billing information, including the number of account holders, accruals, cash- flow, and customer management;
    - (cc) the satisfaction levels of account holders regarding services rendered; and
    - (dd) the effectiveness of the municipality's indigence relief measures; and
  - (ii) at regular intervals meet with municipal officials with the aim of submitting a joint recommendation on the policy to the Council;
  - (iii) where necessary, propose steps to the Council with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures;
  - (iv) where necessary, propose to the Council actions and adjustments to correct deviations;

- (v) establish effective communication channels between the municipality and account holders with the aim of keeping account holders abreast of all decisions by the municipality that may affect them;
- (vi) establish customer service centres which are located in such communities as determined by the municipality;
- (vii) identify, appoint, and enter into agreements with suitable business concerns, institutions, organizations, establishments or para-statal institutions to serve as agencies for the purposes of this policy;
- (viii) convey to account holders information relating to the costs involved in service provision, the reasons for payment of service fees, and the manner in which monies raised from the services are utilised, and may where necessary, employ the services of local media to convey such information;
- (ix) expedite the processing of complaints or inquiries received from an account holder and must ensure that an account holder receives a response within a time determined by the municipality and must monitor the response time and efficiency in these instances;
- (x) in line with the latest technological and electronic advances, endeavour to make 24- hour electronic inquiry and payment facilities available to account holders;
- (xi) encourage and bear on account holders, where needed, to settle outstanding accounts within the ambit of this policy; and
- (xii) with the consent of an account holder, enter into an agreement with the account holder's employer to deduct from the salary or wages of the account holder – (aa) any outstanding amounts as may be agreed; or
  - (cc) such regular monthly amounts as may be agreed, and may provide special incentives for employers to enter into such agreements, and employees to consent to such agreements.

### **3.2 The responsibilities of the Council are to -**

Approve a budget consistent with the needs of communities, ratepayers and residents.

- (a) Impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- (b) Facilitate sufficient funds to give access to basic services for the poor.
- (c) Provide for a bad debt dispensation, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.

- (d) Set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.
- (e) Approve a reporting framework for credit control and debt collection.
- (f) Consider and approve policies and by-laws to give effect to the Council's policies.
- (g) Monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- (b) Revise the budget should Council's targets for credit control and debt collection not be met.
- (c) Take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.
- (k) Approve a panel of attorneys that will act for Council in all legal matters relating to debt collection.
- (l) Delegate the required authorities to monitor and execute the credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.
- (m) Provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection, or, alternatively to appoint a Service Provider, or debt collection agent.
- (n) Assist the Municipal Manager in the execution of his duties, if and when required.
- (o) Provide funds for the training of staff.

### **3.3 The responsibilities of the Mayor are to -**

- (a) Ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- (b) Monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- (c) Review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- (d) Report to Council.

### **3.4 The responsibilities of communities, ratepayers and residents are -**

- (a) To fulfil certain responsibilities, as brought about by the privilege and/or right to use and enjoy public facilities and municipal services.
- (b) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- (c) To observe the mechanisms and processes of the municipality in exercising their rights.
- (d) To allow municipal officials reasonable access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- (e) To comply with the by-laws and other legislation of the municipality.
- (f) To refrain from tampering with municipal services and property.

**3.5 The responsibilities of ward councillors are -** (a) To hold regular ward meetings.

- (b) To adhere to and convey council policies to residents and ratepayers.
- (c) To adhere to the Code of Conduct for Councillors.
- (d) To act in terms of roles and functions as approved by Council.

#### **4. Differentiation between customers and exemption**

- (1) In accordance with the principles embodied in the Constitution and the provisions of sections 6 and 8 of the Property Rates Act, 2004, and sections 74(3) and 75 of the Local Government: Municipal Systems Act, 2000, the municipality differentiates between different categories of users and consumers in regard to the tariffs which it levies, categories of ratepayers, account holders, customers, debtors, taxes, services, service standards and other matters, however, such differentiation must at all times be reasonable, and must be fully disclosed in each annual budget.
- (2) The municipality may, in writing, exempt an account holder, category of account holders, or other persons from complying with a provision of this policy, subject to any conditions it may impose, if the application or operation of that provision would be unreasonable, however the municipality or its authorised agent may not grant exemption from any section of this policy that may result in –
  - (a) the wastage or excessive consumption of water or electricity;
  - (b) the evasion or avoidance of water or electricity restrictions;
  - (c) significant negative effects on public health, safety or the environment;
  - (d) the non-payment for services;

- (e) the installation of pipes and fittings which are not acceptable in terms of the municipality's prescribed standard; or
  - (f) any Act, or any regulation made under it, not being complied with.
- (3) The municipality or its authorised agent may at any time after giving written notice of at least 30 days, withdraw any exemption given under subsection (2).

## **CHAPTER 2**

### **SUPPLY OF MUNICIPAL SERVICES**

#### ***Part 1***

***Application for supply and service agreements, credit screening, deposits, billing and payment, and termination of service agreements, agents attorneys and other collection agents, debtors other than consumer debtors.***

#### **5. Application for supply of municipal services, service agreements, credit control and encouragement to pay arrear accounts**

- (1) Any application for any supply of services to any premises must be made at the municipal offices at least four working days prior to the service being required and must comply with the conditions determined by the Municipal Manager or his or her nominated officer .
- (2) After the commencement of this policy and subject to the provisions of section 31, only the owner of a property or his or her duly authorised agent on his or her behalf may apply for municipal services to be supplied to a property.
- (3) No services shall be supplied unless and until application has been made by the owner and a service agreement in the format prescribed by the municipality has been entered into and a deposit provided for in section 7 has been paid.
- (4) An application for a supply for a period of less than one year is regarded as an application for a temporary supply.
- (5) The following information must be included in the application form and disclosed by the applicant:
  - (i) Full name of applicant;
  - (ii) Postal address and fixed abode;

- (iii) Identity number and a photo-copy of both husband and wife, and if a tenant also copies of the identity document of the owner is compulsory;
  - (iv) Marital status;
  - (v) Vehicle registration number if any;
  - (vi) Name, telephone number and address of next of kin not residing with applicant;
  - (vii) Applicant's home, work and cellular phone numbers;
  - (viii) If a tenant, the owner or representative must sign the application form for approval of the services to be connected;
  - (ix) A service deposit paid in advance on request and before the services can be connected; the municipal manager or his/her nominated officer can arrange that the deposit be paid of in two installments
  - (x) The application forms must be completed in such a manner that it serves as an agreement with the Council of which a copy must be handed to the applicant;
  - (xi) The application forms must be filed for ease of future reference;
  - (xii) If the applicant cannot read or write he/she should be assisted with the completion of the form and the agreement explained;
  - (xiii) A paragraph must be inserted whereby the owner will be held responsible for the debt if not paid by the tenant; (xv) Previous address.
- (6) No Council member or official of the Municipality may be in arrears to the Municipality for rates and service charges for a period longer than 3 months. The Municipality may, after consultation with the specific Councillor or official, deduct any outstanding amounts from the Council member's allowance or official's salary after this period.
- (7) Upon application for services the following should be obtained from the applicant:-
- (i) photocopies of identity documents of both husband and wife and if the applicant is a tenant, copies of the owner's identity document are compulsory;
  - (ii) names and addresses of next of kin;
  - (iii) motor registration numbers;
  - (iv) the owner or representative of the owner has to sign the application form for approval of the services to be connected;
  - (v) the previous address should be stated for reference.

- (8) Where a service agreement with the municipality has been entered into by the consumer, water and electricity will be disconnected until such time as a service agreement has been signed and the applicable deposit paid;
- (9) All other business and industrial deposits will be reviewed annually during the month of July each year;
- (10) Where electricity and/or water supply have been disconnected erroneously a written apology will be dispatched within seven working days;
- (11) Where consumers fail to pay their water and electricity accounts by the due date, the following actions should be taken:-
- (i) Final notices may be delivered or posted after the due date, and the final notice will contain a notice that the client may arrange to pay the outstanding balance off in terms of the Credit Control Policy;
  - (ii) An Acknowledgement of Debt Agreement must be completed with all arrangements for paying off arrear amounts. Copies must be handed to the client and filed on the Debt Agreement file;
  - (iii) The Acknowledgement of Debt must be signed within 48 hours after the receipt of the final notice;
  - (iv) Debit orders must be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonored the full balance will immediately become payable, except in merit cases;
  - (v) Extension for the payment of arrears, together with the current accounts, should not exceed 36 months with first payment within 30 days of the date of agreement;
  - (vi) No interest will be charged on the arrear amount of such an agreement;
  - (vii) Only consumers with positive proof of identity or an authorized agent with a Power of Attorney will be allowed to complete an "Acknowledgement of Debt;"
  - (viii) When cheques are returned "Refer to Drawer" where an arrangement has been made, the full balance will immediately become payable. Electricity and/or water supply to such consumer will be disconnected until the full amount is paid in cash or per bank guaranteed cheque, except in merit cases;
  - (ix) No consumers will be allowed to enter into a second agreement if the first agreement was dishonored, except in special merit cases;
  - (x) Merit cases, where special circumstances prevail, must be treated individually and could, amongst others, include the following categories:-
    - (a) Unemployed persons;

- (b) Deceased estates;
  - (c) Liquidated companies or CC's;
  - (d) Private persons under administration;
  - (e) Outstanding enquiries on accounts for example, unallocated payments, water leaks, journals, incorrect levies, etc.;
  - (f) Pensioners;
  - (g) Any other cases not mentioned which may be regarded as merit cases due to circumstances approved by the Accounting Officer/Chief Financial Officer.
- (xi) Extension for payments of arrears in respect of merit cases should not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer.
- (xii) With the first payment within 30 days of the date of the agreement.
- (a) Only the Chief Financial Officer or the Manager: Financial Services may make extension and these cases must be supported by documentary proof. Previous payment records will be taken into consideration when a decision with regard to extensions is to be made.
- (xiii) When disconnections of electricity and/or water supply take place due to non payment, the consumer's deposit will be adjusted to the current minimum;
- (xiv) When services are illegally restored, criminal action will be taken if possible and an administrative penalty as per the budget minor tariffs shall be levied;
- (xv) Where water and electricity accounts remain outstanding or unpaid for more than 2 months, the account will be handed over to Debt Collectors for collection and/or legal action to the Attorneys and will be listed at the Information Trust Corporation. These clients will have to make further arrangements at the Attorney and/or Debt Collectors, for the arrears account. The current monthly accounts must be paid directly to the Municipality.
- (xvi) After a debtor has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the municipality.
- (xvii) Where a property is provided with a pre-paid electricity and/or water meter and being in arrears, the municipality has the option to either refuse sales, disconnect services or allocate 20% of the purchases of electricity towards the arrears;
- (xviii) Where consumers fail to pay their accounts in respect of assessment rates, refuse, sewerage and sundry charges and availability charges, the following action should be taken:-
- (a) To recover the outstanding debts in respect of annual levies, a 14 days notice must be served on the debtor during October each year informing the debtor that it is noted that he/she has



not paid the accounts and reminding him/her of the due date the account is payable i.e. end of September;

- (b) A final demand be served on the debtor early during October of each year informing him/her that he/she has 7 days to pay the account after which he/she will be handed over to the Attorneys for collection and that his/her name will be forwarded to the Information Trust Corporation for listing;
  - (c) The same notification procedures must be followed as applicable to other services for arrangements for paying off arrears;
  - (d) Where assessment rates, refuse, sewerage and sundry charges and availability charges remain outstanding or unpaid for more than 2 months, the account will be handed over to Debt Collectors for collection and/or legal action to the Attorneys and will be listed at the Information Trust Corporation. These clients will have to make further arrangements at the Attorney and/or Debt Collectors, for the arrears account. The current monthly accounts must be paid directly to the Municipality.
  - (e) After a debtor has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the municipality.
  - (f) Where a property is provided with a pre-paid electricity and/or water meter and being in arrears, the municipality has the option to either refuse sales, disconnect services or allocate 20% of the purchases of electricity towards the arrears.
  - (g) Account holder who is in arrears has 10 working days to settle the account or a prepaid meter will be installed.
- (xix) When a customer has made a formal arrangement with the Municipality to pay off arrears over a specific period of time and then not honor this agreement, the Accounting Officer/Chief Financial Officer may take a decision that will force the account holder to have a Pre-paid electricity meter installed at the account holder's cost. This decision must be communicated to the account holder in writing giving him/her the opportunity to either settle the account in full or have the pre-paid meter installed. The Accounting Officer/Chief Financial Officer may agree that the costs involved in installing the pre-paid electricity meter be paid off interest free over a period not exceeding 12 months.

## **5.1 Agents, Attorneys and other collection agents**

Municipal Manager may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, disconnections, restrictions, summonses, judgments, garnishee orders and as a last resort sales in execution of property.

Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.

Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding debtors.

Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.

Individual debtor accounts are protected and are not the subject of public information.

However Council may release debtor information to credit bureaus.

Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters.

Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council

Appropriate measures will be taken to inform consumers what the responsibilities of service providers will be regarding customer care, credit control and debt collection.

## **5.2 Debtors other than consumer debtors**

Amounts due to the Council for any services rendered, other than services rendered to consumer debtors, shall be due and payable when the service is rendered, and –

- (a) Outstanding amounts shall bear interest; and
- (b) Legal action shall be instigated on all amounts outstanding after ninety (90) days.

## **6. Credit screening**

- (1) The municipality may require of an applicant to submit information and documentary proof so as to enable the municipality to bring its records up to date and to assess the creditworthiness of the applicant, and the municipality reserves the right to call for an affidavit.
- (2) For the purposes of determining the creditworthiness of an account holder the municipality may make use of the service of a credit bureau, or any other agency or means as the Municipal Manager or his or her nominated officer may determine.

## **7. Deposits**

- (1) On approval of the application and before the service is made available, the municipality may require the applicant –

- (a) to deposit for municipal services with the municipality a sum of money equal to the estimated tariff or charge for an average month's services as determined by the municipality, excluding the cost of a service rendered by means of a pre-payment device used by the municipality;
  - (b) to agree to special conditions regarding payment of the municipal account, and monies so deposited with the municipality serve as security and working capital;
  - (c) if a guarantee provided is revoked or matures, the account holder shall supply the municipality with a cash deposit failing which the provision of services shall be terminated and or restricted.
- (2) The Municipal Manager or his or her nominated officer reserves the right to review the sum of money deposited or the amount for which additional security is required.
  - (3) Subject to subsection (5), an amount deposited with the municipality in terms of subsections (1) and (2) shall not be regarded as being in payment or part payment of an account due for services rendered.
  - (4) The Municipal Manager or his or her nominated officer may, in respect of preferred customers, consider relaxation of the conditions pertaining to deposits as set out in subsections (1) and (2).
  - (5) On termination of the supply of services, the amount of such deposit, as determined by the municipality, less any payments due to the municipality, must be refunded to an account holder.
  - (6) No interest shall be payable by the municipality on the amount of a deposit held by the municipality in terms of this section.
  - (7) A deposit held by the municipality will be forfeited in the event an account holder does not claim the deposit within 12 months from date of termination of services.
  - (8) A unclaimed credit(if the payment is more than the account) held by the municipality will be forfeited in the event an account holder does not claim the credit within 12 months from date of termination of services

## **8. Billing and payment**

- (1) The account holder must pay all amounts due to the municipality as reflected in the municipal account, and the onus is on the account holder to verify the accuracy of such account.
- (2) An account holder must pay for metered services, and must pay the rates, other municipal charges, levies, fees, fines, interest, taxes or any other liability or obligation from the date of origin of such municipal charges until the written termination of the services.

- (3) An account holder –
  - (a) has one account number and must be rendered one account, on which the due date for settlement of the total amount owing is reflected, subject to the provisions of subsection (14); and
  - (b) must be rendered an account monthly in cycles of approximately 30 days.
- (4) Payment must be received on or before the close of business on the date as stipulated on the account. If payment is received and recorded in the Municipality's records as being paid in full on or before the 12<sup>th</sup> day in the month following the statement date, a discount of 5% will be given on the current month's account.
- (5) Payment made via any of the service providers appointed by the municipality to receive payments on its behalf, should be made at least four working days before the due date to enable the payment to be processed, and interest accrues should the municipality receive payment after the due date as per the account.
- (6) Where the account holder effects payment of an account via a service provider four working days or more before the due date and such service provider fails to furnish the municipality with the relevant payment details, such service provider may be held liable for all charges incurred by the municipality to recover an arrear amount erroneously reflected on the account of the account holder, as well as for interest charges.
- (7) The municipality may estimate the quantity of metered services supplied in respect of a period or periods within the interval between actual successive readings of the meters, and may render an account to an account holder for the quantity of metered services so estimated.
- (8) If an account holder is dissatisfied with an account rendered for metered services supplied by the municipality, such account holder may, prior to the due date stipulated therein object to the account, setting out reasons for such dissatisfaction.
- (9) Should any dispute arise as to the amount owing by an account holder, and subject to the provisions of section 102 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the account holder must notwithstanding such dispute proceed to make regular payments by the due date based on the calculation of the average municipal account for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the municipality.
- (10) An error or omission in any account or failure to render an account does not relieve the account holder of the obligation to pay by the due date.
- (11) If an account holder uses water, refuse removal services, sanitation services or electricity for a category of use other than that for which it is supplied by the municipality and is in consequence not charged for water refuse

removal services, sanitation services or electricity so used, or is charged for the water, refuse removal services, sanitation services or electricity at a rate lower than that at which the account holder should be charged, the account holder is liable for the amount due to the municipality in accordance with the prescribed charges in respect of –

- (a) the quantity of water or electricity the refuse removal services and sanitation services which the account holder has used and for which the account holder has not been charged; or
  - (b) the difference between the cost of the water or electricity used by the account holder at the rate at which the account holder has been charged and the cost of the water or electricity at the rate at which the account holder should have been charged.
- (12) An account holder is not entitled to a reduction of the amount payable for metered services which are lost due to a default in the meter, until such time as the provisions of section 14(8)(c) have been met.
- (13) The municipality may –
- (a) consolidate any separate accounts of an account holder liable for payment to the Municipality;
  - (b) credit any payment by an account holder against any debt of that account holder; and
  - (c) implement any of the debt collection and credit control measures provided for in this policy in relation to any arrears on any account of such a person.
- (14) The owner of property may enter into an agreement with the municipality in terms of which payment for rates is made annually, in which case payment must be made on or before the date determined by the municipality.
- (15) Monthly accounts shall be rendered to consumers for the amount due and payable, at the address last recorded with the municipality.
- (16) Accounts shall –

- (a) show –
  - (i) the consumption or estimated consumption or assumed consumption as determined for the measuring or consumption period;
  - (ii) the measuring or consumption period;
  - (iii) the applicable tariff;
  - (iv) the amount due in terms of the actual, estimated or assumed consumption;
  - (v) the amount due and payable for any other service rendered by the Municipality;
  - (vi) the amount in arrears, if any;
  - (vii) the interest payable on arrears, if any;
  - (viii) the final date for payment;
  - (ix) the methods, places or approved agents where payment may be made;
- (17) In the event an account holder relocates to another premise, the account holder must pay all outstanding service charges and rates and taxes, if rates and taxes are in arrears, before a service agreement is entered with the consumer at the other premises
- (18) In the event where the stand is vacant and there is no electricity lines or water connections the municipality will not charge availability. Availability will only be charged if there are actual availability on the stand.

**9. Termination of service agreement**

- (1) Termination of the service agreement must be in writing to the other party of the intention to do so.
- (2) Where a property is sold, an owner may terminate a service agreement by giving the municipality not less than four working days' notice in writing.
- (3) The municipality may, by notice in writing of not less than 14 working days, advise an account holder of the termination of the agreement for a supply of municipal services if –
  - (a) the account holder has not consumed any water or electricity during the preceding six months, or has vacated the property and has not made satisfactory arrangements for the continuation of the agreement;
  - (b) the account holder has committed a breach of this policy and has failed to rectify such breach; or

- (c) the municipality cannot continue to supply the account holder with municipal services, as in terms of an arrangement with another authority supplying municipal services such authority must in future supply municipal services to the account holder.

#### **10. Cost for termination of municipal services**

Where any municipal service is terminated as a result of non-compliance with these policies and/or by-laws by the person liable for the payments, the Council shall be entitled to levy and recover such costs as per council's tariff policy, as determined by the Council from time to time

### ***Part 2***

#### ***Non-payment of municipal accounts***

#### **11. Arrangements for payments**

- (1) Should an account holder, before any of the steps have been taken in terms of section 12, not be able to pay the municipal account in full, the account holder may approach the municipality with the aim of making short-term arrangements to settle the account.
- (2) Should an account holder, after any of the steps have been taken in terms of section 12, experience difficulties in paying the municipal account, the account holder may approach the municipality with the aim of making arrangements to settle the account, and the account holder must enter into a written agreement with the municipality to repay to the municipality the outstanding and due amount under the conditions and on a basis determined by the Municipal Manager, or his or her nominated officer.
- (3) The written agreement has to be signed on behalf of the municipality by a duly authorised officer.
- (4) Only a consumer with positive proof of identity and address and authorised by the owner of the property in writing, shall be allowed to enter into an agreement for the payment of arrears in instalments.
- (5) The amount due and payable by a consumer constitutes a consolidated debt, and any payment made by a consumer of an amount less than the total amount due, shall be allocated in reduction of the consolidated debt –
  - (a) towards payment of the current account;
  - (b) towards payment of arrears;
  - (c) towards payment of interest; and
  - (d) towards costs incurred in taking relevant action to collect amounts due and payable.



- (6) In the instance where arrangements for payment have been made the municipality may –
- (a) review the deposit;
  - (b) require of an account holder to pay by means of a stop order or debit order;
  - (c) require of an account holder to convert to a pre-paid metering system;
  - (d) require any other form of security, including personal suretyship by the directors or members of a company, closed corporation, trust or body corporate, or; (e) waive the interest on the arrear amount.
- (7) A consumer may be required to complete a debit order for the payment of arrears.
- (8) No agreement for the payment of arrears shall be longer than 36 months, unless the circumstances referred to in subsection (9) prevail.
- (9) The Municipality may, on an individual basis, allow a longer period than 36 months for the payment of arrears if special circumstances prevail, that in the opinion of the Municipality, warrants such an extension and which the consumer reasonably could not prevent or avoid, and documentary proof of such special circumstances must be furnished by the consumer on request by the Municipality.
- (10) The Municipality may, in exercising its discretion under subsection (5), have regard to a consumer's – (b) credit record;
- (c) consumption;
  - (d) level of service;
  - (e) previous breaches of agreements for the payment of arrears in instalments (if any); and
  - (f) any other relevant factors.
- (11) A copy of the agreement shall, on request, be made available by the Municipality to the consumer.
- (12) If a consumer fails to comply with an agreement for the payment of arrears in instalments, the total of all outstanding amounts, including the arrears, any interest thereon, administration fees, costs incurred in taking relevant action, and penalties, including payment of a higher deposit, will immediately be due and payable, without further notice or correspondence.
- (13) If a consumer fails to comply with an agreement for the payment of arrears in instalments entered into after receipt of a discontinuation notice, access to services may be discontinued without further notice or correspondence in addition to any other actions taken against or that may be taken against such a consumer.

- (14) No consumer shall be allowed to enter into an agreement for the payment of arrears in instalments where that consumer failed to honour a previous agreement for the payment of arrears in instalments, entered into after the receipt of a discontinuation notice.
- (15) If a consumer owes the municipality more than R5 000.00 for a period in excess of 150 days, the Accounting Officer may after negotiations with the consumer write off 50% of the arrear amount that is in excess of 150 days.

**12. Interest and penalties on overdue municipal accounts**

- (1) The municipality may, by resolution of its determined number of members, charge or recover interest and penalties at a determined interest rate in respect of any arrear amounts due and payable to the municipality.
- (2) Irrespective of the reason for non-payment, interest accrues if an account is unpaid.
- (3) Interest is calculated monthly according to the approved interest rate as determined in the annual budget, and a portion of a month is regarded as a month.
- (4) Interest or penalties are payable if payment is not received at an office of the municipality at close of business on the due date or if deposited by direct bank deposit at least two days prior to at the close of business on the due date.
- (5) In an effort to encourage payment no interest will be payable on the arrear amount when a consumer makes arrangements for payment of an arrear account.
- (6) Penalties of 10% on the current month's account will be charged on all services accounts that are in arrears and due to the municipality.

**13. Debt collection mechanisms**

- (1) Where appropriate, the Municipality must at all times attempt to advise an account holder of an impending disconnection, or restriction of a supply, and the following mechanisms may be applied should an account holder fail to settle a municipal account by the due date:
  - (a) delivering or mailing of a final demand and explaining to the account holder the status of the account and the consequences of not paying or concluding an arrangement;

## CUSTOMER

- (b) informing the account holder verbally, in writing, telephonically, or by electronic means of the overdue amount and the impending disconnection or restriction of services;
  - (c) disconnecting or restricting the supply of municipal services to the premises and the serving of a disconnection or restriction notice on the account holder; or
  - (d) debiting the municipal account of the account holder with all relevant fees or penalties approved by the municipality.
- (2) Where the metered supply had been disconnected or restricted, and should the account holder still fail to pay the account, the premises may be revisited at regular intervals to ensure that the metered supply remains disconnected or restricted, and if it is found that the supply which had been disconnected or restricted previously has been restored –
- (a) the municipality has the right to take whatever action is required in terms of the Council's Tariff Policy, and the account holder is responsible for the relevant fees or charges or damages caused;
  - (b) the municipality may refuse to supply services for a period determined by the municipality ;
  - (c) in the instance of the use of a pre-paid meter, the municipality may cease further vending of pre-paid services; and
  - (d) levy an administrative penalty as provided for in the budget.
- (3) Where a duly authorised officer of the municipality has visited the premises for the purpose of disconnecting or restricting the supply and was obstructed or prevented from effecting such disconnection or restriction, an amount equal to the prescribed fee for a reconnection becomes payable for each visit necessary for the purpose of such disconnection or restriction, subject to a maximum of two such visits during which disconnection or restriction could not be effected.
- (4) The municipality may use any one or more of the following mechanisms to secure full payment of any amounts owing to it:
- (a) Restricting or denying the sale of pre-paid services to an account holder, or disconnecting any pre-paid metering system of an account holder, who is in arrears with other services;
  - (b) requiring of the account holder to convert to another metering system;
  - (c) allocating a portion of any pre-paid payment to other debts;

- (d) releasing debtor information to a credit bureau;
  - (e) publishing a list of account holders who remain in default;
  - (f) withholding payment of a grand-in-aid and subject to the provisions of section 33, excluding the account holder from the bid process;
  - (g) withholding payment on contracts for settlement of the municipal account;
  - (h) reviewing and altering the conditions of the service agreement;
  - (i) instituting legal proceedings for the recovery of the debt;
  - (j) classifying the account holder as an unreliable customer;
  - (k) using the services of external debt collection specialists or agencies;
  - (l) insisting on conversion to pre-paid metering at the cost of the account holder; or
  - (m) employing any other methods authorised by the municipality from time to time to recover arrear amounts.
- (5) The cost of collection, where applicable, is to the account holder's account.
- (6) Subject to the provisions of sections 28 and 29 of the Property Rates Act, 2004 (Act 6 of 2004), the right to deny, restrict, disconnect or terminate services due to the non-payment for any rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation prevails notwithstanding the fact that –
- (a) payment was intended for any specific service; or
  - (b) the person who entered into a service agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.

#### **14. Agents, Attorneys and other collection agents**

Municipal Manager may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, disconnections, restrictions, summonses, judgments, garnishee orders and as a last resort sales in execution of property.

Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.

Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding debtors.

Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.

Individual debtor accounts are protected and are not the subject of public information.

However Council may release debtor information to credit bureaus.

Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters.

Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council

Appropriate measures will be taken to inform consumers what the responsibilities of service providers will be regarding customer care, credit control and debt collection.

## **15. Debtors other than consumer debtors**

Amounts due to the Council for any services rendered, other than services rendered to consumer debtors, shall be due and payable when the service is rendered, and –

- (c) Outstanding amounts shall bear interest; and
- (d) Legal action shall be instigated on all amounts outstanding after ninety (90) days.

### ***Part 3***

#### ***Metering equipment and metering of services***

## **16. General provisions**

- (1) The municipality may introduce various metering equipment and may encourage an account holder to convert to a system which is preferred by the municipality when there are benefits for the municipality.
- (2) After commencement of this policy, and where possible and applicable, pre-paid meters must preferably be installed for all new connections.

## **17. Metering equipment and measuring of consumption**

- (1) The municipality must, at the consumer's cost in the form of a direct charge or prescribed fee, provide, install and maintain appropriately rated metering equipment at the point of metering for measuring metered services.

- (2) The municipality reserves the right to meter the supply to a block of shops, flats, tenement- houses and similar buildings for the building as a whole, or for an individual unit, or for a group of units.
- (3) Where any building referred to in subsection (2) is metered by the municipality as a whole -
  - (a) the owner may, at own cost, provide and install appropriate sub-metering equipment for each shop, flat and tenement; or
  - (b) the municipality may require the installation, at the account holder's expense, of a meter for each unit of any premises in separate occupation for the purpose of determining the quantity of metered services supplied to each such unit.
- (4) Where the water or electricity used by consumers is charged at different tariff rates, the consumption must be metered separately for each rate.
- (5) Where sub-metering equipment is installed, accommodation separate from the municipality's metering equipment must be provided where appropriate.
- (6) Except in the case of pre-payment meters, the quantity of metered services used by a consumer during any metering period is ascertained by reading the appropriate meter or meters supplied and installed by the municipality at the beginning and end of such metering period, except where the metering equipment is found to be defective.
- (7) For the purpose of calculating the amount due and payable for the quantity of metered services consumed, the same amount of metered services is deemed to be consumed during every period of 24 hours between readings.
- (8) The following apply to the accuracy of metering:
  - (a) A meter is conclusively presumed to be registering accurately if its error, when tested in the manner prescribed in subsection (13), is found to be within the limits of error as provided for in the applicable standard specifications;
  - (b) the municipality has the right to test its metering equipment, and if it is established by test or otherwise that such metering equipment is defective, the Municipality must –
    - (i) in case of a credit meter, adjust the account rendered; or (ii) in the case of prepayment meters:
      - (aa) render an account where the meter has been under-registering; or
      - (bb) issue a free token where the meter has been over-registering; and
  - (c) the consumer is entitled to have the metering equipment tested by the municipality on payment of the prescribed fee, and if the metering equipment is found not to comply with the system accuracy requirements as provided for in the applicable standard specifications, an adjustment in accordance

with the provisions of paragraph (b) and subsection (7) must be made and the aforesaid fee must be refunded.

- (9) No alterations, repairs, additions or connections of any description may be made on the supply side of the point of metering unless specifically approved in writing by the Municipal Manager or a duly authorised officer of the municipality.
- (10) Prior to the municipality making any upward adjustment to an account in terms of subsection (8)(b), the municipality must –
- (a) notify the consumer in writing of the monetary value of the adjustment to be made and the reasons therefore;
  - (b) in such notification provide sufficient particulars to enable the consumer to submit representations thereon; and
  - (c) call upon the consumer in such notice to present it with reasons in writing, if any, within 21 days or such longer period as the municipality may permit, why the account should not be adjusted as notified, and should the consumer fail to provide any representation during the period the municipality is entitled to adjust the account as notified in paragraph (a).
- (11) The Municipality must consider any representation provided by the consumer in terms of subsection (10) and must, if satisfied that a case has been made out therefore, adjust the account appropriately.
- (12) If the Municipal Manager or a duly authorised officer of the municipality decides, after having considered the representation made by the consumer, that such representation does not establish a case warranting an amendment to the monetary value established in terms of subsection (15), the municipality is entitled to adjust the account as notified in terms of subsection (10)(a), and the consumer has the right to appeal the decision of the official in terms of section 62 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
- (13) Meters are tested in the manner provided for in the applicable standard specifications.
- (14) When an adjustment is made to the consumption registered on a meter in terms of subsection (8)(b) or (8)(c), such adjustment is based either on the percentage error of the meter as determined by the test referred to in subsection (13), or upon a calculation by the Municipality from consumption data in its possession, and where applicable, due allowance must be made, where possible, for seasonal or other variations which may affect consumption.
- (15) When an adjustment is made as contemplated in subsection (14), the adjustment may not exceed a period of six months preceding the date on which the metering equipment was found to be inaccurate, however he

application of this subsection does not bar a consumer from claiming back overpayment for any longer period where the consumer is able to prove the claim in the normal legal process.

- (16) The municipality may dispense with the use of a meter in case of –
- (a) an automatic sprinkler fire installation; and
  - (b) special circumstances at the Engineer’s discretion.
- (17) The municipality may by notice –
- (a) prohibit or restrict the consumption of metered services –
    - (i) for specified or non-specified purposes;
    - (ii) during specified hours of the day or on specified days or otherwise than during specified hours of the day or on specified days; and
    - (iii) in a specified or non-specified manner; and (b) determine and impose –
      - (i) limits on the quantity of metered services which may be consumed over a specified period;
      - (ii) charges additional to those prescribed in respect of the supply of metered services in excess of a limit contemplated in subparagraph (i); and
      - (iii) a general surcharge on the prescribed charges in respect of the supply of metered services; and
  - (c) impose restrictions or prohibitions on the use or manner of use or disposition of an appliance by means of which metered services is used or consumed, or on the connection of such appliance.
- (18) The municipality may limit the application of the provisions of a notice contemplated by subsection (17) to specified areas and classes of account holders, premises and activities,

and may provide for the Municipality to permit deviations and exemptions from, and the relaxation of any of the provisions on such grounds as he or she may deem fit.

- (19) To ensure compliance with a notice published in terms of subsection (17), the municipality may take, or by written notice require an account holder at the account holder’s expense to take such measures, including the installation of measuring devices and devices for restricting the flow of metered services as may be necessary
- (20) In addition to the person by whose act or omission a contravention of or failure to comply with the terms of a notice published in terms of subsection (17) is actually committed, an account holder in respect of the premises to which metered services are supplied is presumed also to have committed the contravention or to have so failed to comply, unless evidence is adduced that the account holder had taken all reasonable steps to prevent such a contravention or failure to comply by any other person, however, the fact that the account holder issued instructions to the other person shall not of itself be accepted as sufficient proof that the account holder took all such reasonable steps.



- (21) The provisions of this section also apply in respect of metered services supplied directly by the municipality to account holders outside its area of jurisdiction, notwithstanding anything to the contrary in the conditions governing such supply, unless otherwise specified in the notice published in terms of subsection (17).
- (22) If such action is necessary as a matter of urgency to prevent waste of metered services, refuse or sewerage, damage to property, danger to life, or pollution of water, the municipality may –
- (a) without prior notice disconnect the supply of metered services to any premises; and
  - (b) enter upon such premises and do such emergency work, at the account holder's expense, as he or she may deem necessary, and in addition by written notice require the account holder to do within a specified period such further work as the municipality may deem necessary.
- (23) Before any metered or pre-paid metered supplies which have been disconnected or restricted for non-payment is restored, an account holder must pay all fees and charges as determined by the municipality.
- (24) The municipality may, at the written request of an account holder and on the dates requested by the account holder –
- (a) disconnect the supply of metered services to the account holder's premises; and
  - (b) restore the supply, and the account holder must before the metered services is restored pay the prescribed charge for the disconnection and restoration of his or her supply of metered services.
- (25) After disconnection for non-payment of an account or a contravention of any provision of this policy, the prescribed fees must be paid before reconnection is made.
- (26) The following apply to the reading of credit meters:
- (a) Unless otherwise prescribed, credit meters are normally read at intervals of approximately one month and the fixed or minimum charges due in terms of the tariff are assessed accordingly and the municipality is not obliged to effect any adjustments to such charges;
  - (b) if for any reason the credit meter cannot be read, the municipality may render an estimated account, and estimated consumption must be adjusted in a subsequent account in accordance with the consumption actually consumed;
  - (c) when an account holder vacates a property and a final reading of the meter is not possible, an estimation of the consumption may be made and the final account rendered accordingly;
  - (d) if a special reading of the meter is desired by a consumer, this may be obtained upon payment of the prescribed fee; and
  - (e) if any calculating, reading or metering error is discovered in respect of any account rendered to a consumer –

- (i) the error must be corrected in subsequent accounts;
- (ii) any such correction applies only in respect of accounts for a period of six months preceding the date on which the error in the accounts was discovered,
- (iii) the correction is based on the actual tariffs applicable during the period; and
- (iv) the application of this section does not prevent a consumer from claiming back overpayment for any longer period where the consumer is able to prove the claim in the normal legal process.

(27) The following apply to prepayment metering:

- (a) No refund of the amount tendered for the purchase of electricity or water credit is given at the point of sale after initiation of the process by which the prepayment meter token is produced;
- (b) copies of previously issued tokens for the transfer of credit to the prepayment meter may be issued at the request of the consumer;
- (c) when an account holder vacates any premises where a prepayment meter is installed, no refund for the credit remaining in the meter is made to the owner by the municipality;
- (d) the municipality is not liable for the reinstatement of credit in a prepayment meter lost due to tampering with, or the incorrect use or the abuse of, prepayment meters or tokens;
- (e) where an account holder is indebted to the municipality for any rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation, the municipality may deduct a percentage from the amount tendered to offset the amount owing to the municipality; and
- (f) the municipality may appoint vendors for the sale of credit for prepayment meters and does not guarantee the continued operation of any vendor.

**18 Resale of water or electricity**

- (1) No account holder who is supplied with metered services in terms of this policy may sell or supply water or electricity, supplied to the account holder's premises under an agreement with the municipality, to any other person or persons for such use upon any premises other than those in respect of which such agreement is made, or permit or suffer such resale or supply to be made, unless provision has been made therefore in a special agreement or unless prior permission from the municipality to do so has been obtained.
- (2) If the municipality grants the permission referred to in subsection (1), it may stipulate the maximum price at which the water or electricity may be sold and impose such other conditions as it may deem fit.

- (3) Permission referred to in subsection (1) may be withdrawn at any time.
- (4) Where water or electricity is resold for use on the same premises, such resale must be in accordance with the tariff and subject to such conditions as the municipality may decide.

#### **Part 4**

#### ***Indigence relief measures***

#### **19. Requirements for indigence relief and credit given**

- (1) The requirements for indigence relief and credit given are covered by the Council's Indigent Policy.

#### **20. Provision for indigent debtors that is consistent with its rates and tariff policies and any other national policy on indigents**

- (a) Provision for indigent debtors according to municipal tariff policy and any national policy.
- (b) Outline process within policy for indigent consumer to understand that the rates and tariff policy of municipality will be applicable on them when free basic services limit is exceeded.

Realistic targets consistent with –

#### **(a) GRAP and collection ratios**

Policy should be aligned to GRAP and collection ratios which should be a realistic target according to capacity.

#### **(b) The estimates of income set in the budget is less an acceptable provision for bad debts**

Set estimate income based on the average of at least the past three financial years then make provision for bad debt based on the above average.

Bad debt should only be written off only after all prescripts within the credit control policy have been adhered to and implemented fully.

## **21. TARIFFS**

The General principles of, and the Calculation of, the following tariffs are covered in the

Council's Tariff Policy:

- Electricity
- Water
- Refuse removal
- Sewerage
  
- Minor tariffs

## **CHAPTER 4**

### **22. RATES**

All details with regards Council's Rates and Taxes are covered in Council's Rates Policy.

## **CHAPTER 5**

### **ENFORCEMENT**

#### **23. Municipality's powers to restrict or disconnect supply of services**

The municipality may, over and above the provisions of any other provisions in this policy restrict or disconnect the supply of water and electricity, or discontinue any other service to any premises if -

- (a) an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 37 of 1944), in respect of an account holder;
- (b) an account holder of any service fails to comply with a condition of supply imposed by the municipality;
- (c) an account holder obstructs the efficient supply of electricity, water or any other municipal services to another account holder;
- (d) an account holder supplies such municipal services to any person who is not entitled thereto or permits such service to continue;
- (e) an account holder causes a situation which is dangerous or a contravention of relevant legislation; or
- (f) an account holder is placed under provisional registration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act, 1936 (Act 24 of 1936).

#### **24. Tampering, unauthorised connections and reconnections, and improper use**

- (1) The municipality reserves the right to monitor the service network for signs of tampering or irregularities.

- (2) No person may in any manner or for any reason whatsoever tamper or interfere with any meter or metering equipment or service connection or service protective device or supply mains or any other equipment of the municipality.
- (3) Where prima facie evidence exists of an account holder or any person having contravened subsection (2), the municipality has the right to disconnect the supply immediately and without prior notice to the account holder, and the account holder is liable for all fees and charges levied by the Municipality for such disconnection plus penalty as provided for in the annual budget.
- (4) Where an account holder or any person has contravened subsection (2) and such contravention has resulted in the meter recording less than the true consumption, the municipality has the right to recover from the account holder the full cost of his or her estimated consumption and the cost of repair or replacement of damaged metering devices.

## **25. Clearance certificate**

To effect the transfer of any immovable property from one registered owner to another, the Registrar of Deeds requires a clearance certificate. The certificate is obtainable from the municipal manager or a duly authorised officer of the municipality, upon payment of the prescribed fee and subject to the conditions of section 118 of the Municipal Systems Act, 2000 (Act 32 of 2000) being met. The municipality may issue a rates clearance, valid for 90 days after the rates is paid for 90 days in advance. Application for clearance certificates has to be done by a legal representative.

## **26. Bids and grants-in-aid**

- (1) Each bid submitted to the municipality must be accompanied by a certificate from the municipality stating that the proposed supplier is not indebted to the municipality for any arrear amount reflected on the municipal account.
- (2) Should a proposed supplier be so indebted, the municipality may disallow the bid.
- (3) The municipality may only consider a bid once the proposed supplier has made satisfactory arrangements to pay the outstanding amount by means of instalments, or has settled all arrear amounts in full.
- (4) The municipal manager or a duly authorised officer of the municipality must in the condition of contract, provide for the deduction from moneys owed to the supplier in order to settle any outstanding amount.
- (5) Payment of any grants-in-aid approved by the municipality may be withheld pending payment of any outstanding municipal account, or pending an agreement between the municipality and the receiver of a grant-in-aid in which satisfactory arrangements have been made regarding the settlement of the outstanding municipal account.

**27. Power of council to recover costs**

- (1) Where a bank dishonours any payment made to the municipality, the municipality may levy and recover all related costs and any administration fees against an account of the defaulting account holder and may disconnect or restrict the supplies to the premises of such account holder.
- (2) All legal costs, including attorney-and-client costs incurred in the recovery of amounts in arrears and payable in terms of the Magistrates Court Act, 1944 (Act 32 of 1944), must be levied against the arrears account of the account holder.
- (3) For any action taken in demanding payment from an account holder or reminding an account holder by means of telephone, fax, electronic mail, letter or otherwise that payments are due, a fee will be levied against the municipal account of the account holder in terms of the municipality's tariff provisions.

**28. Prima facie evidence**

A certificate reflecting the amount due and payable to the municipality, signed by the municipal manager or a duly authorised officer of the municipality, is upon mere production thereof prima facie evidence of the indebtedness of the person mentioned in it.

**29. Abandonment and writing off of bad debts, and full and final settlement of account**

- (1) Before terminating the debt collection procedure in any individual instance, the municipal manager must –
  - (a) ensure that all debt collection mechanisms as provided for in section 12 have been utilised where reasonable;
  - (b) maintain an audit trail; and
  - (c) document the reasons for terminating the debt collection procedure, including the cost of enforcement and necessary financial adjustments.

- (e) any account balance between –R10 and +R10 can be written off once a month on approval by the Chief Financial Officer.

### **Writing off bad debts**

Any debt written off must -

- (d) Only be written off after all reasonable steps, within reason and without culminating in further irrecoverable costs for the council, have been taken to recover the debt, in accordance with this policy, and the Council has convinced itself that:
- (i) Recovery of the debt would be uneconomical;
  - (ii) Recovery would cause undue hardship to the debtor or his/her dependants; and
  - (iii) It would be an advantage to the Municipality to effect a settlement of its claim or to waive the claim.
- (f) Be disclosed in the annual financial statements, indicating the policy in terms of which the debt was written off.

### **FULL AND FINAL SETTLEMENT**

- (2) The municipal manager or a duly authorised officer of the municipality may consider an offer for full and final settlement, of 50 % and must, if in the interests of the municipality, in writing consent to the acceptance of a lesser amount as full and final settlement of the amount due and payable.
- (3) Where the exact amount due and payable to the municipality has not been paid in full, any lesser amount tendered to and accepted by any the municipality employee, except the municipal manager or the municipal manager's delegate, shall not be deemed to be in full and final settlement of such an amount.

### **30. Power of entry and inspection**

- (1) A duly authorised representative of the municipality may for any reason related to the implementation or enforcement of this policy at all reasonable times or in emergency at any time, enter premises, request information and carry out such inspection as deemed

necessary, and may for purposes of installing or repairing any meter or service connection for reticulation disconnect, stop or restrict the provision of any service.

- (2) If the municipality considers it necessary for work to be performed to enable an officer to perform a function referred to in subsection (1) properly and effectively, it may –
- (a) by written notice require an account holder to do, at own expense, specified work within a specified period; or

- (b) if the situation is a matter of urgency, without prior notice do such work or cause it to be done at the expense of the account holder.
- (3) If the work referred to in subsection (2) is carried out for the sole purpose of establishing whether a contravention of this policy has been committed and no such contravention has taken place, the municipality must bear the expense connected therewith together with that of restoring the premises to their former condition.

**31. Authentication and service of orders, notices and other documents**

- (1) An order, notice or other document requiring authentication by the municipality must be signed by the municipal manager or by a duly authorised officer of the municipality, such authority being conferred by resolution of the municipality or by a by-law or regulation, and when issued by the municipality in terms of this policy is deemed to be duly issued if it is signed by an officer authorised by the municipality.
- (2) Any notice or other document that is served on a person by a duly authorised officer of the municipality in terms of this policy, is regarded as having been served –
  - (a) when it has been delivered to that person personally;
  - (b) when it has been left at that person's place of residence or business in the Republic with a person apparently over the age of 16 years;
  - (c) when it has been posted by registered or certified mail to that person's last known residential or business address in the Republic and an acknowledgement of the posting thereof from the postal service is obtained;
  - (d) if that person's address in the Republic is unknown, when it has been served on that person's agent or representative in the Republic in the manner provided by paragraphs (a), (b) or (c);
  - (e) if that person's address and agent or representative in the Republic is unknown, when it has been placed in a conspicuous place on the property or premises, if any, to which it relates;
  - (f) in the event of a body corporate, when it has been delivered at the registered office of the business premises of such body corporate to a person apparently over the age of 16 years; or



- (g) when it has been delivered, at the request of a person, to that person's electronic mail address.
- (3) When any notice or other document has to be served on the owner, an account holder or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, account holder or holder of the property or right in question, and it is not necessary to name that person.
- (4) Service of a copy is deemed to be service of the original.
- (5) Any legal process is effectively and sufficiently served on the municipality when it is delivered to the municipal manager or a person in attendance at the municipal manager's office.

### **32. Matters prescribed by regulation 104 of MSA**

- (a) The identification of municipal services provided by the municipality or other services providers to users of services where the use of the services by the user can reasonably be determined, measured or estimated per quantity used or per frequency of such use;
- (b) The determination, measurement or estimate of the use by each user of each service so identified;
- (c) User agreements, and deposits and bank guarantees for the provision of municipal services;
- (d) The rendering of accounts to ratepayers and users and the particulars to be continued in the accounts;
- (e) The action that may be taken by municipalities and services providers to secure payments of accounts that are in arrears, including -
- The seizure of property;
  - The attachment of rent payable on property; and
  - The extension of liability to a director, a trustee or a member if the debtor is a company, a trust or a close corporation;
- (f) The development and implementation of an indigent policy;
- (g) Any other matter that may facilitate –
- Effective and efficient systems of credit control and debt collection by municipalities

### **33. DELEGATIONS OF RESPONSIBILITIES BY MUNICIPAL MANAGER**

The municipal manager may delegate any of his/her powers to any employee or official of the municipality and to any board member of the municipal entity subject to applicable legislation.

## **CHAPTER 6**

### **MISCELLANEOUS PROVISIONS**

#### **34. Right of appeal**

- (1) A person whose rights are affected by a decision of a municipal officer may appeal against that decision by giving written notice of the appeal and reasons to the municipal manager within 21 days of the date of the notification of the decision.
- (2) The Municipal Manager must promptly submit the appeal to the appropriate appeal authority mentioned in subsection (4).
- (3) The appeal authority must consider the appeal and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.
- (4) When the appeal is against a decision taken by –
  - (a) a staff member other than the municipal manager, the municipal manager is the appeal authority;
  - (b) the municipal manager, the Mayor is the appeal authority; or
  - (c) a political structure or political officer bearer or a the councillor, a committee of councillors who were not involved in the decision and appointed by the municipality for this purpose is the appeal authority.
- (5) An appeal authority must commence with an appeal within six weeks and decide the appeal within a reasonable time.

#### **35. Offences and penalties**

A person is guilty of an offence and liable upon conviction to a period not exceeding six months of community service or a fine or a combination of the aforementioned if he or she –

- (a) fails to give access required by an officer in terms of section 37;
- (b) obstructs or hinders an officer in the exercise of his or her powers or the performance of functions or duties under this policy;

- (c) uses or interferes with the municipality equipment for consumption of services supplied;
- (d) fails or refuses to give the municipality or an officer such information as the municipality or the officer may reasonably require for the purpose of exercising powers or functions under this policy, or gives the municipality or the officer false or misleading information knowing it to be false or misleading;
- (e) fails to comply with the terms of a notice served upon him or her in terms of this policy; or
- (f) tampers or breaks any seal on a meter or on any equipment belonging to the municipality, or for any reason determined by the municipal manager causes a meter not to register the services used properly, and the person shall furthermore be charged for usage of electricity or water, as the case may be.

### **36. Transitional provision**

- (1) A person who has been the owner of property within the Municipality before the commencement of this policy must within a period determined by the municipality, after the commencement of this policy, enter into a new service agreement with the municipality in terms of which such owner undertakes to be solely responsible for any municipal charges relating to each of such owner's properties failing which the supply of services to the property may be discontinued or restricted.
- (2) A lessee of a premises who consumes services provided by the Municipality before the commencement of this policy must within a period determined by the municipality, after the commencement of this policy, enter into a new service agreement with the municipality in

terms of which such lessee undertakes to be solely responsible for any municipal charges relating to each of such properties leased, failing which the supply of services to the property may be discontinued or restricted.

### **37. Short title and commencement**

This Policy may be cited as the Thembelihle Municipality Customer Care, Credit Control and Revenue Management Policy, and commences on the date of approval and or amendment by Council.



# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI



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## Funding and Reserves Policy

THEMBELIHLE LOCAL MUNICIPALITY POLICYON FUNDING AND RESERVES POLICY 2019/2020

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## **Applications and Scope**

This policy is mandate by Section 8 of the Local Government: Municipal Budget and Reporting Regulations which is made in terms of section 168 of the Municipal Finance Management Act, 2003 Act no. 56 of 2003 This funding and Reserves Policy is applicable to Thembelihle Municipality.

## **Objectives of Policy**

- i) To ensure the operating and capital budget of council are appropriately funded.
- ii) To ensure that provisions and reserves are maintained at the required levels to avoid future unfunded liabilities.

## **Introduction**

The funding of the operating and capital budgets is done on an annual basis for a three year period. The budget must be balanced both from an accounting as well as cash perspective. The impact of movement in the Statement of financial Position is taken into account when considering the balancing of the budget.

## **Projected billings, collections and direct revenue**

These projections are prepared in accordance to the following annual approved council policies:

4.1 The Rates policy which sets out the manner in which the municipality may impose rates on property.

4.2 The Tariffs Policy which guides the annual setting (or revision) of tariffs. The Policy is applicable to all tariffs for electricity, water, sanitation and solid waste services provided by the municipality. This policy is also applicable to all sundry tariffs.

## **Funding sources for operating and capital budget**

### ***Operating Budget***

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

b) Property taxes

Increases in tariffs and rates will be based on actual billed revenue and as far as possible be limited to inflation plus an additional percentage increase to accommodate the growth of the town and more important to remain affordable and realistic. Detailed information can be found in the Tariff Policy.

c) Grants & Subsidies

Grants and subsidies shall be based on all the gazette grants and subsidies plus all other subsidies received by the organization.

d) Rental Fees

Fees for rental property will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year.

e) Fines

Fees for fines will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year

f) Other Income

All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year.

## 5.2 Capital Budget

### Own Funding Sources

The Council shall establish a Capital Replacement Reserve(CRR) for the purpose of financial capital projects and the acquisition of capital assets.

### Other Funding Sources

The capital budget shall also 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) Contributions from the Capital Development Fund( developer's contributions) and
- f) Any other financing source recurred by the local authority.

### Provision for revenue that will not be collected

The municipality makes provision in the operational budget for revenue that will not be collected in the budget year. This provision that will be made must be based on past trends and payments rates. More detail can be found in the Accounting Policy of the municipality.

### The funds the municipality can expect to receive from investment

The municipality makes provision in the operational revenue budget for revenue that will be realized on investment. The interest received on investment will be budgeted for in the revenue budget. Forecast will be based on projected interest rates and projected investments for the period.

### Proceeds from transfer or disposal of assets

The proceeds from transfer or disposal of assets will be budgeted in the operational revenue budget.

### Borrowing requirement

The affordability of loans over the Medium Term Revenue and Expenditure

Framework (MTREF) period should be determined before external loans are considered. Capital costs (interest and redemption payments) should be within the acceptable norms and in terms of the Borrowing Policy



## Capital Replacement Reserve(CRR)

Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets.'

Such reserve shall be established from the following sources of revenue:

- a) Un-appropriated cash-backed surpluses to the extent that such surpluses are not requires for operational purposes:
- b) Interest on the investments of the CRR, appropriated in terms of the investments policy;
- c) Additional amounts appropriated as contributions in each annual or adjustments budget and;
- d) Before any assets can be financed from the CRR the financing must be available within the reserve and available to fund the CRR this reserve fund must then be adjusted the available cash
- e) Transfers to the CRR must be budget for in the cash budget.

## INDIGENT POLICY (Adopted by council on 30 May 2019)

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## DEFINITIONS

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

**“Indigent”** This is a household which, due to a number of factors as set out in par. 4, is not financially capable of paying for the delivery of Basic Services – including poor households.

**“Household”** This includes all persons who are jointly living on a stand or site on a permanent basis and who receive water and/or electricity and/or other services from the Municipality

**“authorised representative”** the person or instance legally appointed by the Council to act or to fulfil a duty on its behalf

**“basic service”** The amount or level of any municipal service that is necessary to ensure human dignity and a reasonable quality of life and which, if not provided, could endanger public health or safety of the environment and for the purposes of this Policy are restricted to electricity, refuse, sewerage and water services. It is also to be understood that the national norms will be used as guidelines for the determination of the amount/level of the services;

**“Chief Financial Officer”** An officer of the Municipality appointed as the Head of the Finance Department and includes any person:- a) acting in such position; and

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

**“Child Headed Household”** This is a household where no adults are living and where the household is headed by a school-going child;

**“Council” or “municipal council”** A municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Municipality of Thembelihle;

**“customer”** Any occupier of any property to which the has agreed to supply services or already supplies services to, or if there is no occupier, then the owner of the property; **“defaulter”** A person who owes money to the municipality in respect of a municipal account after the due date for payment has expired;

**“interest”** A levy with the same legal priority as service fees and calculated on all amounts in arrears in respect of assessment rates and service levies at a standard rate as determined by the Municipality.

**“Municipality”** The institution that is responsible for the collection of funds and the provision of services to the customers of Thembelihle;

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

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

## **OBJECTIVES OF POLICY**

2.1 The objectives of this Policy are to:-

2.1.1 Provide a framework within which the Municipality can exercise its executive and legislative authority with regard to the implementation of financial aid to indigent and poor households in respect of their municipal account;

2.1.2 Determine the criteria for qualification of indigent and poor households;

2.1.3 Ensure that the criteria is applied correctly and fairly to all applicants;

2.1.4 Allow the Municipality to conduct in loco visits to the premises of applicants to verify the actual status of the household ;

2.1.5 Allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies.

## **PRINCIPLES OF POLICY**

3.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for making of policy, while it is the responsibility of the Municipal Manager to ensure the execution of this policy;

3.2 All applicants must complete an official application form, which is to be submitted together with the supporting documents as specified in this policy;

3.3 Application forms, agreements and documents relating to this Policy must be available in Afrikaans and English. Officials designated to control and manage these documents must be able to explain the contents thereof in the three languages of the Northern Cape;

3.4 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.

## **CRITERIA FOR INDIGENT HOUSEHOLDS**

1.1 To qualify as an indigent household, a household must comply with the following criteria:-

4.1.1 A household which has a verified total household gross monthly income of less than R3 900.00 per month (when the household income is calculated, any children pensions received must be excluded when calculating the household income). A

Child Headed household (i.e. a household where no income-earning adult is staying and where the household is headed by a school-going child) will automatically qualify for the subsidies provided for in this policy.

4.1.2 A Family who does not have a funeral policies for deceased are eligible to qualify a coffin for the value of R900.00 from an undertaker in the town of burial in Thembelihle. No family or individual is exempted from paying for the grave.

4.1.2 State pensioners living together will be classified as indigent and shall qualify for 100% subsidy subject to the completion of the relevant documentation.

4.1.3 Must be a permanent resident of Thembelihle.

4.1.4 Must be a South African citizen.

4.1.5 Indigent households will be required to change from credit metering for electricity consumption to a pre-paid metering system which conversion costs will be funded from the equitable share, subject to the availability of funds.

4.1.6 The municipality will not grant indigent support to any applicant who:

- Owns more than one property whether inside or outside the municipal area;
- Is letting, renting out or leasing his/her property to someone and derives an income from the renting letting or leasing.

4.1.7 Must agree that the supply of water to the particular premises can be restricted by means of a flow control washer, or any other means as the Council may determine from time to time.

## **SUBSIDY**

The subsidies below will be funded from the “equitable share” contribution received from National Treasury. The subsidies will only be granted to qualifying households to the extent that the abovementioned funds are available for allocation. The subsidy amount allocated will be calculated and rounded off to the nearest lower R1, and will be paid into the consumer’s municipal account every month and be indicated as such on the account.

5.1 Indigent households will receive the following per month as qualified above: A subsidy of:

- 100% of the basic levy for electricity/pre-paid for one service point per month;
  - 75% of deposit payable for an electricity connection when a new account is opened or when an account is transferred to a new client;
  - 100% of the basic levy for water per month;
  - 75% of deposit payable for a water connection when a new account is opened or when an account is transferred to a new client;
  - 100% of basic levy for refuse removal per month;
  - 100% of basic levy for sewerage per month;
- 
- In respect of water usage, a 100% subsidy up to 6 kl per household per month will apply; however, if consumption exceeds 6 kl per metering period (month) the consumer will be charged at normal tariffs for actual consumption on the quantity exceeding 6 kl.
  - In respect of electricity usage, a 100% subsidy up to 50 kWh per household per month will apply; however, if consumption exceeds 50 kWh per metering period (month), the consumer will be charged at normal tariffs for actual consumption on the quantity exceeding 50 kWh.

5.2 Indigent households who are living on un-serviced erven will receive the following per month as qualified above:

A subsidy to the same value of 50 kWh electricity consisting of paraffin, matches and candles

5.3 In the event that the indigent support per month does not cover the full monthly billed service account, the applicant shall be liable to pay the excess, failing which the subsidy will be discontinued and services will be cut and or restricted.

## **APPLICATION FOR A SUBSIDY**

6.1 The account holder must apply in person at a customer care office of the Municipality on the prescribed application form.

6.2 The following items must accompany the application:-

6.2.1 The latest municipal account of the household;

6.2.2 Proof of the account holder's identity;

6.2.3 Proof of income of the account holder (e.g. a letter from his/her employer, salary slip/envelope, pension card, unemployment insurance fund (UIF) card, or a certificate to confirm registration as a job-seeker);

6.2.4 Proof of medical condition when requiring additional water and electricity.

Should the account holder be unable to apply in person, due to medical reasons, his/her application may be certified by a commissioner of oaths, preacher/pastor of church or a community worker. The applicant must complete the sworn statement that forms part of the application form. Failure to do so will render the application invalid.

6.2.5 The applicant must fill out and sign an application form and provide the information required on the form.

5.2.6 All recipients of indigent support shall be required to re-apply for subsidy once a year. Such applications shall reach the Chief Financial Officer at least six months before the beginning of a financial year;

6.2.7 All applications for indigent support shall be screened by the respective Ward Councillor or Proportional Representative Councillor or the Mayor for any irregularities and shall sign all applications having passed the criteria.

6.2.8 A Councillor may not approve any applications, but make a recommendation to the Accounting Officer/CFO for approval for indigent support.

6.2.9 A family who seeks assistance with a coffin for a deceased who does not have a funeral policy, are required to do the following:

a) Submit a completed application signed by the Ward Councillor

b) An affidavit stated that the family has or individual has no funeral policy

c) Copies of death Certificate and ID copies of both the applicant and the deceased

## **PUBLICATION OF NAMES OF QUALIFYING APPLICANTS**

The applicant must grant permission for the Municipality to publish his/her name and address on a list of account holders receiving subsidies in terms of this policy. Any person may inspect or scrutinize the list at a Customer Care Office and inform/notify the Municipality of any person who, according to their true circumstances, should not be in receipt of a subsidy as envisaged in this policy.

## FALSE INFORMATION

- 8.1 An applicant for indigent support will be required to submit a sworn affidavit certifying that the information supplied are true and correct.
- 8.2 A person who provides false information will be disqualified and be refused further participation in the subsidy scheme. In addition, he/she will be held liable for the immediate re-payment of any subsidies already granted and legal action, civil or criminal may be instituted against the guilty party(-ies).

## LOCAL AUDIT (VERIFICATION)

- 9.1 The Municipality reserves the right to send officials and/or representatives of the Municipality to the household or site of the applicant(s) at any reasonable time, with  
  
the aim of carrying out a local verification of the accuracy of the information provided by the applicant(s). Such audit will be conducted on a continuous basis.
- 9.2 Failure by a beneficiary of indigent support to allow officials of the municipality access to the premises and information will result in the disqualification of the beneficiary from indigent support.

## DURATION OF SUBSIDY

- 10.1 Indigent support will be granted on a monthly basis, **except** where the beneficiary's circumstances have changed to the extent that he/she no longer qualifies or when the budgeted amount has been depleted.
- 10.2 If the municipality obtains information that indicates that the circumstances of the applicant have changed to such an extent that he/she no longer qualifies for the subsidy, the Municipality reserves the right to suspend the subsidy. If any of the criteria, as set out in this policy, is not complied with any more, there is an onus on the recipient of the subsidy to notify the Municipality within **seven (7) days** after such criteria is no longer complied with. If a recipient cannot write, a designated official must be informed in person.

## CURRENT AMOUNTS IN ARREARS

- 11.1 Applicants, whose municipal accounts show arrear amounts at the time of the application for a subsidy, will have to make arrangements with the Municipality for paying off the amounts in arrears.
- 11.2 Assistance may be considered for arrears for indigent households subject to the availability of funds.

## **REGISTER**

The Municipality will complete a register of households that qualify as “indigent”. The register will be continually updated and reconciled with the relevant subsidy account in the general ledger on a monthly basis.



# **THEMBELIHLE**

## **THEMBELIHLE MUNICIPALITY**

### **INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY**



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## 1. Scope

- 1.1.** This is the *Thembelihle Local Municipality* Policy for Infrastructure Procurement and Delivery Management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management.
- 1.2.** The scope includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:
- a) the storage of goods and equipment following their delivery to *the Thembelihle Municipality* which are stored and issued to contractors or to employees;
  - b) the disposal or letting of land;
  - c) the conclusion of any form of land availability agreement;
  - d) the leasing or rental of moveable assets; and
  - e) public private partnerships.
- 1.3.** This Policy applies to construction-related works for the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, projected to cost in excess of R30 000.

## 2. Terms, Definitions and Abbreviations

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

2.1.1. "Authorised Person"	the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order
"Accounting Officer"	in relation to a Municipality means the Municipal Manager as described in Section 60 of the Local Government: Municipal Finance Management Act, no 56 of 2003 as well as Section 82 of the Municipal Structures Act, no 117 of 1998.
2.1.3. "Conflict of Interest"	any situation in which: <ol style="list-style-type: none"> <li>a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his <a href="#">duties impartially</a>,</li> <li>b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or</li> <li>c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee</li> </ol>
2.1.4. "Contract Manager"	person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view
2.1.5. "Family Member"	a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

2.1.6. <b>“Framework Agreement”</b>	an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged
2.1.7. <b>“Gate”</b>	a control point at the end of a process where a decision is required before proceeding to the next process or activity
2.1.8. <b>“Gateway Review”</b>	an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based
2.1.9. <b>“Gratification”</b>	an inducement to perform an improper act
2.1.10. <b>“Infrastructure Delivery”</b>	the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure
2.1.11. <b>“Infrastructure Procurement”</b>	the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure
2.1.12. <b>“Maintenance”</b>	the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function
2.1.13. <b>“Operation”</b>	combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use
2.1.14. <b>“Order”</b>	an instruction to provide goods, services or any combination thereof under a framework agreement
2.1.15. <b>“Organ of State”</b>	an organ of state as defined in section 239 of the Constitution of the Republic of South Africa
2.1.16. <b>“Procurement Document”</b>	documentation used to initiate or conclude (or both) a contract or the issuing of an order
2.1.17. <b>“Principal”</b>	a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)
2.1.18. <b>“Standard”</b>	the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury
2.1.19. <b>“Working Day”</b>	any day of a week on which is not a Sunday, Saturday or public holiday

## 2.2. Abbreviations

For the purposes of this document, the following abbreviations apply:

	Construction Industry Development Board
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SARS:	South African Revenue Services
SCM	Supply Chain Management
SIPDM	Standard Infrastructure Procurement and Demand Management

CIDB:

### 3. General requirements

#### 3.1. Delegations

3.1.1. The Thembelihle Municipality Council hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on Accounting Officers in terms of Chapter 8 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
- d) comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2. No departure shall be made from the provisions of this Policy without the approval of the Municipal Manager of the Thembelihle Municipality.

3.1.3. The Municipal Manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this Policy, to the Council of the Thembelihle Municipality;
- b) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the Policy to the Mayor; and
- d) make the reports public in accordance with Section 21A of the Municipal Systems Act of 2000.

#### 3.2. Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1. Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management, unless this Policy prescribes otherwise.

#### 3.3. Supervision of the infrastructure delivery management unit

3.3.1. The Infrastructure Delivery Management Unit shall be directly supervised by the Chief Financial Officer as delegated in terms of Section 82 of the MFMA.

### **3.4. Objections and complaints**

3.4.1. Persons aggrieved by decisions or actions taken in the implementation of this Policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

### **3.5. Resolution of disputes, objections, complaints and queries**

3.5.1. The Accounting Officer shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the and other persons regarding:

- a) any decisions or actions taken in the implementation of the supply chain management system;
- b) any matter arising from a contract awarded within the Thembelihle Municipality's infrastructure delivery management system; or
- c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2. The designated person shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

3.5.3. The person appointed in terms of 3.5.1 shall:

- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

3.5.4. A dispute, objection, complaint or query may be referred to the Provincial Treasury if:

- a) the dispute, objection, complaint or query is not resolved within 60 days; or
- b) no response is forthcoming within 60 days.

3.5.5. If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

## **4. Control framework for infrastructure delivery management**

### **4.1. Assignment of responsibilities for approving or accepting end of stage deliverables**

4.1.1. The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

### **4.2. General**

4.2.1. Prefeasibility and feasibility reports shall be required as end-of-stage deliverables for stages 3 and 4, respectively, where a major capital project is required for where the total project capital expenditure exceeds R50 million (including VAT), or where the expenditure per year for a minimum of three years exceeds R10 million per annum (including VAT).

4.2.2. Stages 3 and 4 may be omitted for the following:

- a) a building project with or without related site works; or
- b) a process-based, somewhat repetitive or relatively standardised project where the risk of failing to achieve time, cost and quality objectives is relatively low.

4.2.3. Stages 3 to 9 may be omitted where the required work does not involve the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure.

4.2.4. Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable.

4.2.5. The infrastructure plan (stage 1), which is informed by demand management requirements as set out in 6.2, initiation reports (stage 0), decisions made during stages 3 and 4 and work in progress in stages 5 to 9, and the procurement strategy (stage 2) shall be reviewed and updated at least once a year.

4.2.6. The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. All subsequent stages shall only be proceeded with if the necessary budget is in place.

4.2.7. A stage shall only be complete when the deliverable has been approved or accepted by the person or persons designated in the institutional arrangements to do so.

4.2.8. Activities associated with stages 5 to 9 may be undertaken in parallel or series, provided that each stage is completed in sequence.

4.2.9. The level of detail contained in a deliverable associated with the end of each stage shall be sufficient to enable informed decisions to be made to proceed to the next stage. In the case of stages 3 to 6, such detail shall, in addition, be sufficient to form the basis of the scope of work for taking the package forward in terms of the selected contracting strategy.

4.2.10. The approvals or acceptances at each gate shall be retained for record purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

### **4.3. Gateway reviews**

4.3.1. Gateway reviews for major capital projects above the threshold of R 20 million.

4.3.1.1. The Municipal Manager shall appoint a gateway review team for major capital projects.

4.3.1.2. A gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review.

4.3.1.3. Such a team shall be led by a person who has at least six years postgraduate experience in the planning of infrastructure projects and is registered either as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural Profession Act.

4.3.1.4. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.



4.3.1.5. The Provincial Treasury shall be notified of a proposed gateway review for a major capital project, three weeks prior to the conducting of such a review.

4.3.1.6. Such notification shall be accompanied by a brief outline of the proposed project or package, the names and qualifications of the reviewers and the timeframes for the review.

4.3.1.7. The Provincial Treasury may nominate additional persons to serve on the review team.

4.3.1.8. The gateway review team shall base its findings primarily on:

4.3.1.8.1. the information contained in the end-of-stage deliverables;

4.3.1.8.2. supplementary documentation, if any, provided by key staff obtained during an interview process; and

4.3.1.8.3. interviews with key staff members and stakeholders.

4.3.2. The gateway review team shall issue a report at the conclusion of a gateway review, which indicates the team's assessment of the information at the end of a stage and provides findings or recommendations on areas where further work may be undertaken to improve such information.

**Table 1: Stages, end-of-stage deliverables and responsibilities for approving or accepting end-ofstage deliverables in the control framework for the management of infrastructure delivery**

No	Name of Stage	End-of-Stage Deliverable	Person assigned the responsibility for approving or accepting end-ofstage deliverables
0	Project initiation	An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope	The Technical Manager or the SubDelegated official accepts the initiation report
1	Infrastructure planning	An infrastructure plan which identifies and prioritises projects and packages against a forecasted budget over a period of at least five years	The Technical Manager or the SubDelegated official approves the infrastructure plan
2	Strategic resourcing	A delivery and/or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and, where needs are met through own procurement system, a procurement strategy	The Technical Manager or the SubDelegated official approves the delivery and / or procurement strategy
3	Pre-feasibility	A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage	The Technical Manager or SubDelegated official. The end-user together with consulting engineers.

	Preparation and briefing	A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages	The Technical Manager or SubDelegated official. The end-user together with consulting engineers.
4	Feasibility	A feasibility report which presents sufficient information to determine whether or not the project should be implemented	The Technical Manager or SubDelegated official accepts the feasibility report. The end-user together with consulting engineers.
	Concept and viability	A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages	The Technical Manager or SubDelegated official accepts the concept report. The end-user together with consulting engineers.
5	Design development	A design development report which develops in detail the approved concept to finalise the design and definition criteria, sets out the integrated developed design, and	The Technical Manager or Sub-Delegated official accepts the design development report. The end-user together with consulting engineers.

No	Name of Stage		End-of-Stage Deliverable	Person assigned the responsibility for approving or accepting end-ofstage deliverables
			contains the cost plan and schedule for one or more packages	
6	Design documentation	6A Production information	Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either construction (where the constructor is able to build directly from the information prepared) or the production of manufacturing and installation information for construction	The Technical Manager or Sub-Delegated official accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance.
		6B Manufacture, fabrication and construction information	Manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place	The Technical Manager or SubDelegated official accepts the manufacture, fabrication and construction information.
7	Works		Completed works which are capable of being occupied or used	The Technical Manager and SubDelegated official accepts completion of the works or the delivery of goods and associated services. Works are certified by consulting engineers.

8	Handover	Works which have been taken over by the user or owner complete with record information	The owner or end user accepts liability for the works. The Technical Manager and Sub-Delegated official accepts completion of the works or the delivery of goods and associated services. Works are certified by consulting engineers.
9	Package completion	Works with notified defects corrected, final account settled and the close out report issued	The Technical Manager and Sub-Delegated official accepts the defects certificate in accordance with the provisions of the contract. Works are certified by consulting engineers. The Technical Manager and Sub-Delegated official accepts final completion in accordance with the provisions of the contract. Works are certified by consulting engineers. The Technical Manager and Sub-Delegated official accepts the close
<b>No</b>	<b>Name of Stage</b>	<b>End-of-Stage Deliverable</b>	<b>Person assigned the responsibility for approving or accepting end-ofstage deliverables</b>
			out report issued by consulting engineers.

## 5. Control framework for infrastructure procurement

**5.1.** The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold of R200 000 shall be as stated in Table 2.

**5.2.** The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure, of R200 000, shall be as follows:

- a) The Bid Specification Committee or the Manager: SCM shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) The Municipal Manager or delegated Head of Department may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

**5.3.** The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

## **6. Infrastructure delivery management requirements**

### **6.1. Institutional arrangements**

#### **6.1.1. Committee system for**

##### **procurement 6.1.1.1. General**

- 6.1.1.1.1. A committee system comprising the Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements projected to cost in excess of R200 000.
- 6.1.1.1.2. The Accounting Officer may consider applying the requirements of the committee system to a lower threshold.
- 6.1.1.1.3. The Bid Evaluation Committee, shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.
- 6.1.1.1.4. The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.
- 6.1.1.1.5. No person who is a political officer bearer, a public office bearer including any Councillor of a municipality, a political advisor or a person appointed in terms of Section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a Bid Specification, Bid Evaluation or Bid Adjudication Committee.
- 6.1.1.1.6. Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.
- 6.1.1.1.7. Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

#### **6.1.1.2. Bid Specification Committee**

##### **6.1.1.2.1. The Municipal Manager shall appoint in writing:**

- (a) the persons to review the procurement documents and to develop a procurement documentation review report; and
- (b) the members of the Bid Specification Committee.

6.1.1.2.2. The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report.

6.1.1.2.3. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:

- (a) professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- (b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
- (c) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

6.1.1.2.4. The Bid Specification Committee shall comprise of no less than one person.

6.1.1.2.5. The chairperson shall be an employee of the Thembelihle Municipality with requisite skills.

6.1.1.2.6. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.7. No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

**Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold**

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	The Technical Manager
2*	Decide on procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	The Technical Manager
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	CFO Manager Budget and Treasury
		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	CFO /Manager Budget and Treasury

4	Evaluate tender offers	4.2 PG5	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	Evaluation Committee
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the Bid Evaluation Committee and refer back to Bid Evaluation Committee for reconsideration or make recommendation for award	Bid Adjudication Committee
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Municipal Manger
<b>Activity</b>		<b>Sub-Activity</b> (see Table 3 of the standard)		<b>Key action</b>	<b>Person assigned responsibility to perform key action</b>
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	Manager Budget and Treasury / Supply Chain official
		6.4 <b>PG8A</b>	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Municipal Manager
		6.5 <b>PG8B</b>	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Municipal Manager
6	Administer contracts and confirm compliance requirements	6.6 <b>PG8C</b>	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns up to the threshold	Municipal Manager
		6.7 <b>PG8D</b>	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for at award of an inflation, or the time for completion contract or the issuing of an order by more than 20% and 30%, respectively.	Approve amount of time and cost overruns above the threshold	Municipal Manager

		6.8 <b>PG8E</b>	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 <b>PG8F</b>	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

### 6.1.1.3. Bid Evaluation Committee

6.1.1.3.1. The Municipal Manager shall appoint in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations; and
- b) the members of the Bid Evaluation Committee.

6.1.1.3.2. The Bid Evaluation Committee shall comprise not less than three people. The chairperson shall be an employee of the Thembelihle Municipality with requisite skills. Other members shall include a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3. The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

- c) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;
- d) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
- e) a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- f) a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

6.1.1.3.4. The Bid Evaluation Committee shall review the evaluation reports and as a minimum verify the following in respect of the recommended tenderer:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;
- d) the Compulsory Declaration has been completed; and
- e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.5. No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the Bid Specification Committee or a family member or associate of such a member, may be considered by the Bid Evaluation Committee.

6.1.1.3.6. The chairperson of the Bid Evaluation Committee shall promptly notify the Municipal Manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

### 6.1.1.4. Bid Adjudication Committee

6.1.1.4.1. The Bid Adjudication Committee must consist of at least four senior officials of the municipality which must include –

- a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
- b) at least one senior supply chain management practitioner who is an official of the municipality; and
- c) a technical expert in the relevant field who is an official, if such an expert exists.

6.1.1.4.2. The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

6.1.1.4.3. No member of the Bid Evaluation Committee may serve on the Bid Adjudication Committee. A member of a Bid Evaluation Committee may, however, participate in the deliberations of a Bid Adjudication Committee as a technical advisor or a subject matter expert.

6.1.1.4.4. The Bid Adjudication Committee shall:

a) consider the report and recommendations of the Bid Evaluation Committee and:

- 1) verify that the procurement process which was followed complies with the provisions of this document;
- 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
- 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
- 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- 5) refer the report back to the Bid Evaluation Committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation;
- 6) or alternatively make a recommendation to the Municipal Manager to award if the value exceeds R10 million.

6.1.1.4.5. The Bid Adjudication Committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action, which should be taken.

6.1.1.4.6. The Bid Adjudication Committee shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager.

6.1.1.4.7. The Bid Adjudication Committee shall report to the Municipal Manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the Bid Evaluation Committee, giving reasons for making such a recommendation.

6.1.1.4.8. The Bid Adjudication Committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
- b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.9. The Bid Adjudication Committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud,



corruption or any other improper Conduct in relation to such system. The National Treasury and the Provincial Treasury shall be informed where such tenderers are disregarded.

## 6.1.2. Actions of an authorised person relating to the award of a contract or an order 6.1.2.1.

### Award of a contract

6.1.2.1.1. The Municipal Manager shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the Bid Adjudication Committee and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
- b) decide not to proceed or to start afresh with the process.

6.1.2.1.2. The Municipal Manager shall immediately notify the Bid Adjudication if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and the Provincial Treasury, and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

### 6.1.2.2. Issuing of an order

6.1.2.2.1. The Municipal Manager shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the Bid Evaluation Committee as relevant, and either:

- a) authorise the issuing of an order; or
- b) decide not to proceed or to start afresh with the process.

6.1.2.2.2. The person responsible for authorising an order shall, prior to authorising the issuing of an order:

- a) confirm that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
- b) consider the recommendations of the evaluation report where competition amongst framework contracts takes place or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either

## 6.1.3. **Conduct of those engaged in infrastructure delivery**

### 6.1.3.1. General requirements

6.1.3.1.1. All personnel and agents of the Thembelihle Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2. All personnel and agents engaged in Siyathemba Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist the Thembelihle Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.1.3. An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

#### 6.1.3.2. Conflicts of interest

6.1.3.2.1. The employees and agents of the Thembelihle Municipality who are connected in any way to procurement and delivery management activities which are subject to this Policy, shall:

- a) disclose in writing to the employee of the Thembelihle Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of the Thembelihle Municipality proprietary information.

6.1.3.2.2. The employees and agents of the Thembelihle Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3. Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in the Thembelihle Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) the Thembelihle Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the Bid Specification Committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

### 6.1.3.3. Evaluation of submissions received from respondents and tenderers

6.1.3.3.1. The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to the Thembelihle Municipality.

6.1.3.3.2. The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of the Thembelihle Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3. the Thembelihle Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

### 6.1.3.4. Non-disclosure agreements

6.1.3.4.1. Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect the Thembelihle Municipality's confidential information and interests.

### 6.1.3.5. Gratifications, hospitality and gifts

6.1.3.5.1. The employees and agents of the Thembelihle Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2. The employees and agents of the Thembelihle Municipality as well as their family members or associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3. The employees and agents of the Thembelihle Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4. All employees and agents of the Thembelihle Municipality may for the purpose of fostering interpersonal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc.;

- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature.

6.1.3.5.5. Gifts listed in a) to d) or gifts in kind which have an intrinsic value greater than R350 may not be accepted.

6.1.3.5.6. Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.7. Employees and agents of the Thembelihle Municipality shall without delay report to the Municipal Manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

#### 6.1.3.6. Reporting of breaches

6.1.3.6.1. Employees and agents of the Thembelihle Municipality shall promptly report to the Municipal Manager any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

#### 6.1.4. Measures to prevent abuse of the infrastructure delivery system

6.1.4.1. The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this Policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and the Provincial Treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory Council where a breach of such Council's code of conduct or rules of conduct are considered to have been breached; cancel a contract if:
  - 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
  - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

#### 6.1.5. Awards to persons in the service of the state

6.1.5.1. Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal Council, any provincial legislature, or the National Assembly or the National Council of Provinces;
- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;

- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- e) an executive member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

6.1.5.2. The notes to the annual financial statements of the Thembelihle municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

#### 6.1.6. Collusive tendering

6.1.6.1. Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

#### 6.1.7. Placing of contractors under restrictions

6.1.7.1. If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards the Thembelihle Municipality; or
- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of the Thembelihle Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

6.1.7.2. The Manager SCM shall prepare a report on the matter and make a recommendation to the Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with the Thembelihle Municipality.

6.1.7.3. The Municipal Manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to [name of municipality or municipal entity for a period of time.

6.1.7.4. The Manager SCM shall:

6.1.7.4.1. record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of the Thembelihle Municipality who are engaged in procurement processes; and

6.1.7.4.2. notify the National Treasury and the Provincial Treasury and, if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8. Complaints

6.1.8.1. All complaints regarding the Thembelihle Municipality's infrastructure delivery management system shall be addressed to the Municipal Manager. Such complaints shall be in writing.

6.1.8.2. The Chief Financial Officer shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Municipal Manager who will decide on what action to take.

## **6.2. Acquisition management 6.2.1. Unsolicited proposal**

6.2.1.1. The Thembelihle Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for the Thembelihle Municipality;
- d) the offer is in writing and clearly sets out the proposed cost;
- e) the person who made the offer is the sole provider of the goods or service; and
- f) The Municipal Manager finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2. The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the Bid Adjudication Committee if:

- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the [municipality or municipal entity] and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;
- b) the Thembelihle Municipality' has obtained comments and recommendations on the offer from the National Treasury and the Provincial Treasury;
- c) the Bid Adjudication Committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and the Provincial Treasury; and
- d) the provisions of 6.2.1.3 are complied with.

6.2.1.3. The Municipal Manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the Provincial Treasury and Auditor-General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

## 6.2.2. Tax and rates compliance

### 6.2.2.1. SARS tax clearance

6.2.2.1.1. No contract may be awarded or an order issued where the value of such transaction exceeds R30 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status. No contract may be awarded or order issued unless a tenderer or contractor who is registered on the Central Supplier Database (CSD) and confirmed their tax compliance status.

#### 6.2.2.1.2.

6.2.2.1.3. In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

6.2.2.1.4. No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of the Thembelihle Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.1.5. Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to the Manger BTO that it intends challenging its tax compliance status with SARS,

- b) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- c) before authorising a further payment due to a non-compliant contractor who has failed to
- d) remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

### 6.2.2.2. Municipal rates and taxes

6.2.2.2.1. No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months and no arrangements has been made.

6.2.2.2.2. No award may be considered to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are outstanding for more than 30 days, if the value of the award will exceed R 10 million.

### 6.2.3. Declarations of interest

6.2.3.1. Tenderers and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Thembelihle Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

### 6.2.4. Invitations to submit expressions of interest or tender offers

6.2.4.1. All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Thembelihle Municipality's website and on the National Treasury eTender Publication Portal.

6.2.4.2. Advertisements relating to construction works, which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000, shall also be advertised, on the CIDB website.

6.2.4.3. Where deemed appropriate by the Chairperson of the Bid Specification Committee or the Manager: SCM, an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person.

6.2.4.4. Such advertisements shall be advertised for a period of at least 14 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the Municipal Manager.

6.2.4.5. The Manager SCM or delegated official shall place all Advertisements.

6.2.4.6. Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

### 6.2.5. Publication of submissions received and the award of contracts

6.2.5.1. The Manager: SCM or delegated official shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender, where the estimated value of the contract exceeds R200 000 (including VAT) on the municipality's website. 6.2.5.2. The following information must be published:

6.2.5.2.1. the names of all tenderers that made submissions to that advertisement, and

6.2.5.2.2. if practical or applicable, the total of the prices and the preferences claimed.

6.2.5.3. Such information shall remain on the website for at least 30 days.

6.2.5.4. The Manager SCM or delegated official shall publish within 7 working days of the award of a contract the following on the Thembelihle Municipality's website: a) the contract number;

- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;



- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

6.2.5.5. The Manager SCM or delegated official shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury e-Tender Publication Portal regarding the successful and unsuccessful tenders.

6.2.5.6. The Manager SCM or delegated official shall, within 7 working days of the award, submit details pertaining to the award of contracts relating to construction works, which are subject to the Construction Industry Development Regulations, issued in terms of the Construction Industry Development Act of 2000, in addition to the requirements of 6.2.5.3, place a notification on the CIDB website..

#### 6.2.6. Disposal committee

6.2.6.1. The Municipal Manager shall appoint in writing the members of the disposal committee to decide on how best to undertake disposals.

6.2.6.2. The disposal panel shall comprise not less than three people.

6.2.6.3. The chairperson shall be an employee of the Thembelihle Municipality.

6.2.6.4. The disposal committee shall make recommendations to the Municipal Manager who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.2.6.4.1. A disposal committee shall decide how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.

6.2.6.4.2. Disposals shall be proceeded with only after the feasibility and desirability of using one or more of the following alternative disposal strategies have been considered:

- a) transfer to another organ of state, business unit or a charitable organisation at market related value or free of charge;
- b) recycling or re-use of component materials; or
- c) disposal by means of dumping at an authorised dump site, burning or demolition.

6.2.6.4.3. The reasons for adopting a disposal strategy shall be recorded prior to proceeding with such disposal.

#### 6.2.7. Reporting of infrastructure delivery management information

6.2.7.1. The Manager: SCM or delegated official shall submit any reports required in terms of the standard to the National Treasury or the Provincial Treasury.

## 7. **Infrastructure procurement 7.1. Usage of procurement procedures**

- a) The Thembelihle Municipality shall apply any relevant procurement procedures provided for in the standard

## **7.2. Procurement documents**

7.2.1. The Thembelihle Municipality has pre-approved templates for (Agreements and contract data) of procurement, documents shall be utilised to obviate the need for legal review prior to the awarding of a contract.

7.2.2. All modifications to the standard templates shall be approved by Municipal Manager prior to being issued for tender purposes.

7.2.3. Disputes arising from the performance of a contract shall be finally settled in a South African court of law.

7.2.4. The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

- a) consultancy services; and
- b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.

## **7.3. Developmental Procurement**

7.3.1. The primary beneficiaries will be included in the Preferential Procurement Policy and will include at least the following:

7.3.1.1. Local emerging contractors / service providers and suppliers from previously disadvantaged individuals/communities who will be assisted with targeted contract opportunities to propel them to new heights.

7.3.1.2. Contractors must be registered with the CIDB to qualify for participation.

## **7.4. Payment of contractors**

7.4.1. The Thembelihle Municipality shall settle all undisputed accounts within 30 days of invoice or statement as provided for in the contract.

Approval to utilise specific procurement procedures

7.4.2. Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

- a) Municipal Manager shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
- b) The Municipal Manager shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and
- c) the Bid Specification Committee or Manager: SCM shall authorise the proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure.

7.4.3. The person authorised to pursue a negotiated procedure in an emergency is designated Head of Department.

## **7.5. Receipt and safeguarding of submissions**

7.5.1. A dedicated and clearly marked tender box shall be made available to receive all submissions made.

7.5.2. The tender box shall be fitted with two locks and the keys kept separately by two SCM Practitioners.

7.5.3. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

## **7.6. Opening of submissions**

7.6.1. Submissions shall be opened by an opening panel comprising two people nominated by the Manager: SCM who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.6.2. The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened and suitably annotated where:
  - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
  - 2) submissions were submitted by a method other than the stated method,
  - 3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and
  - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions.
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

7.6.3. Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.6.4. Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.6.5. Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

## **7.7. Use of another organ of state's framework agreement**

7.7.1. The Thembelihle Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so.

7.7.2. The Municipal Manager shall make the necessary application to that organ of state to do so.

## 7.8. Insurances

7.8.1. Contractors shall be required to take out all insurances required in terms of the contract.

7.8.2. The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by the Municipal Manager.

7.8.3. Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

**Table 4: Minimum insurance cover**

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5million electrical, mechanical and engineering: R3 million architectural: R5 million other R3 million

7.8.4. The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by Manager Budget and Treasury

7.8.5. SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

7.8.6. Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the in relation to the nature of the service that they provide.

7.8.7. The Thembelihle Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

7.8.8. Where payment is to be made in multiple currencies, either the contractor or the Thembelihle Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

## **7.9. Written reasons for actions taken**

7.9.1. Written reasons for actions taken shall be provided by a Project Manager

7.9.2. The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, as to why a tenderer was not considered for the award of a contract or not awarded a contract shall be framed around the clauses in:

:

- a) SANS 10845-3, Construction procurement - Part 3: Standard conditions of tender, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
- b) SANS 10845-4, Construction procurement - Part 4: Standard conditions for the calling for expressions of interest;

7.9.3. Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

## **7.10. Request for access to information**

7.10.1. Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the “requestor” should be referred to the Thembelihle Municipality’s Information Manual which establishes the procedures to be followed and the criteria that have to be met for the “requester” to request access to records in the possession or under the control of the Thembelihle Municipality’s.

7.10.2. Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use.

7.10.3. Access to a bill of quantities and rates should be provided in terms of the Act.

## **8. SHORT TITLE**

8.1. This policy is called the INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY of the Thembelihle Local Municipality.

# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
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## POLICY ON INFRASTRUCTURE AND CAPITAL PROJECTS

THEMBELIHLE LOCAL MUNICIPALITY

POLICY ON INFRASTRUCTURE INVESTMENT AND CAPITAL PROJECTS  
2019/2020.

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## **Preamble**

- 1.1 The progressive realization of fundamental constitutional rights *inter alia* requires township development. Township development in turn requires the provision of engineering services.
- 1.2 Local government must ensure the provision of engineering services to communities and promote social and economic development in a sustainable manner. As a general principle local government should within budgetary constraints accept responsibility for the installation and financing of external engineering services.
- 1.3 As a general principle township developers should accept responsibility for the installation and financing of internal engineering services.
- 1.4 Local government has the discretionary power when granting development approvals to impose conditions in relation to the provision of engineering services and the payment of money which is directly related to requirements resulting from those approvals in respect of the provision of the necessary services to the land to be developed.

1.5 Local government must act in accordance with the law when exercising those powers.

## Purpose of Policy

2.1 The adoption of policy guidelines by state organs to assist decision-makers in the exercise of their discretionary powers has long been accepted as legally permissible and eminently sensible.

2.2 The purpose of this policy document is first to assist and guide municipal decision-makers in:

- The exercise of their discretionary powers when considering appropriate conditions of approval to be imposed under the Land Used Planning Ordinance.
- Their negotiations with developers relating to their payment of development contributions and the division of engineering services cost between the Municipality and applicants; and
- The application of the calculation methods for development Contributions as outlined in the reports defined below.

2.3 The purpose of this policy document is also to:

- Inform interested and affected parties regarding the principles and calculation methods of development contributions and the process to be followed in reaching and recording agreements in respect thereof; and
- Ensure the provision of adequate engineering services and/or payment of development contributions in respect of new developments.

## Definitions

In this policy document, unless inconsistent with the context:

**“Applicant”** means a person who has applied for approval under the Ordinance and includes the person or entity implementing such an approval;

**“Brownfields type Development”** means development of land where use can be made to spare capacity in existing bulk services, and where additional bulk services are also required.

**“Development Contributions”** means financial contributions calculated in accordance with this policy document, which an Applicant is required to make in terms of conditions of approval imposed by the Municipality when granting approvals under the Ordinance and which relate to requirements resulting from those approvals in respect of the provision of the necessary engineering services to the land to be developed.

**“Engineering services”** means services installed in the process of developing land for the provision of water, sewerage and electricity, handling of solid waste, and the building of streets, roads and storm water drainage systems, including all related services and equipment;

**“Greenfields type Development”** means development of land where no bulk services are available to serve the proposed development, and completely new bulk services are required.

**“Municipal Area”** means the area as reflected in the map appearing in Provincial Notice



478/2000 published in Provincial Gazette Extraordinary No 5587 of 19 September 2000;

**“Municipality”** means the Thembilehle Municipality ( NC076) established in terms of the Provincial Notice 489 of 22 September 2000 in terms of the Local Government: Municipal Structures Act, 117 of 1998, and includes all political structures or office bearers and municipal staff members to whom authority has been delegated to take decisions under the

Ordinance or to give effect to conditions of approval imposed under the Ordinance;

**“Ordinance”** means the Land Use Planning Ordinance, 15 of 1985 ( Northern Cape)

**“Reports”** means the so-called “Thembelihle Development Contributions Report”, the “Thembelihle: Levies for Bulk Electrical Services Report” as approved by the Municipality.

**“Service agreement”** means a written agreement concluded between an Applicant and the Municipality, and in terms of which *inter alia* the respective responsibilities of the two parties for the planning, design, provision, installation, financing and maintenance of the internal and external engineering services and the standard of such services are determined.

## Legislative Framework

4.1 The principle of legality enshrined in the Constitution, dictates that everyone has the fundamental right to administrative action

4.2 Planning and development must take place within a dense legislative environment. Suffice it to say that included amongst the pieces of legislation that find application in this field are the Constitution of the Republic of South Africa Act, the Ordinance, the Local Government: Municipal System Act 32 of 2000 ( MSA) and the Local Government: Municipal Finance management Act 56 of 2003 (MFMA).

4.3 In terms of the Ordinance the Municipality is empowered to impose conditions requiring the payment of Development Contributions, when granting development approvals under the Ordinance. In terms of section 42(2) of the Ordinance the Municipality is required to regard *inter alia* to public expenditure incurred in the past or which arise from such approvals which facilitates or will facilitate such developments, when requiring Development Contributions.

4.4 Section 42(2) of the Ordinance must be understood against the backdrop of the following principle enunciated in the second Report of the Venter Parliamentary Commission of Inquiry into Housing and Related Matters, 1983:

*“It is important that any formula recommended in respect of the cost of the provision of services should ensure equal treatment and that the residents of the old town should not subsidise the new township, unless a deliberate decision to the contrary is taken”*

4.5 In terms of the MSA, development within the Municipality and it’s expenditure on engineering services infrastructure must be guided by an approved Integrated Development Plan. The Municipality is enjoined to give priority to providing basic services and improving the quality of life for all within its financial means. Therefore if an Applicant intends to develop land before the necessary bulk engineering service have been

installed or where existing bulk services are inadequate to serve the proposed development , and the Municipality is not in a position to provide such at that time. The Applicant will be required as a condition of approval to fund the bulk services.

In those circumstances appropriate provisions need to be incorporated in a Service agreement relating to control over the costs of such external services and relating to the fund of reasonable costs to which the Applicant may be entitled.

## **Application of policy**

- 5.1 This policy applies from date of its adoption by the Municipality to all applications for approval made in terms of the Ordinance relating to development within the Municipal Area.
- 5.2 It is trite law that where discretion has been conferred upon a public body by a statutory provision( such as section 42 of the Ordinance), such a body may lay down a general principle for its general guidance, but it may lay down a general principle as a hard and fast rule to be applied invariably in every case. Every case that is presented to the public body for its decision must be considered on its merits. It follows that there may be circumstances in which it will not be appropriate to require the payment of development Contributions whilst in other instances it may be necessary to increase or decrease the amounts payable as Development Contributions.

## **Policy approaches the development contributions**

- 6.1 In terms of the so-called “Brownfields approach”, the point of departure is that the bulk services that will serve the proposed development have been funded by existing ratepayers and the Applicant should make a contribution towards those costs on a pro rata basis, based on the unit rate of usage. The value of Development Contributions must reflect the burden to date on the existing ratepayers for providing those services and not the future burden, as ratepayers in the proposed new development will share this burden and will benefit from contributions from future developments. For this reason outstanding loans in respect of the particular services are to be subtracted from the replacement value of those services when determining the amount of Development Contributions payable.
- 6.2 In terms of the so-called “Greenfields approach” the Applicant is responsible to finance the provision of all bulk engineering services, as these are specifically required for the proposed development , and the intention is that the new development should not place any financial burden on existing ratepayers. However this scenario is only fully applicable if the development is self-contained; if the development does not make use of other existing or future developments will not make use of these services.
- 6.3 In most cases it is necessary to partially apply a Brownfields approach and to partially apply a Greenfield Approach to a particular development application, depending on the availability and adequacy of available bulk engineering services. This can be described as a “Combined approach”. In an ideal situation, if it was practically possible, the actual engineering services required should be determined for each development, and charged to the Applicant concerned. However because this is not practically possible, use is required to be made of calculation method derived and outlined in the report referred to in this policy.

6.4 In appropriate circumstances the Municipality may further require that an Applicant provides engineering services to a higher capacity than warranted by the development proposed, to accommodate future developments. In those circumstances and when Applicants are required to fund the provision of bulk engineering services suitable arrangements need to be incorporated in a service Agreement relating to control over the costs of such external services and the refund (where appropriate) of costs in excess of the costs which the Applicant would have incurred if normal capacity standards were applied. Such arrangements may include the application of set-off of development Contributions against such costs.

6.5 In all circumstances, where lawful development exists on the site to be redeveloped, development Contributions should be required only to the extent that the redevelopment, for which approvals are required under the Ordinance, places an additional burden on the existing bulk services infrastructure.

## **Imposition of appropriate conditions of approval**

7.1 When the Municipality receives an application under the Ordinance, it must determine whether adequate bulk engineering services are available to serve the proposed development, whether the upgrading of such services will be required and/or what new bulk services will have to be installed to serve the proposed development.

7.2 The Municipality must, when it approves an application under the Ordinance, impose appropriate conditions relating to the provision and/or upgrading of bulk engineering services to serve the proposed development and/or the payment of Development Contributions.

7.3 Such conditions may *inter alia* require the Applicant:

- In lieu of payment of Development Contributions (partially or in full), to install bulk engineering services to serve the proposed development standard as required by the Municipality; and
- To enter into a service Agreement with the Municipality.

7.4 Before submitting an application under the Ordinance to the competent municipal decision-maker, the Municipality must inform the Applicant which conditions relating to the provision of bulk engineering services and the payment of money (stating the amounts that will become due and payable) it regards as appropriate, afford the

Applicant the opportunity to make representations in respect thereof and, where required, enter into negotiations with the Applicant in an attempt to avoid unnecessary appeals.

7.5 In the event that the Municipality and the Applicant fails to reach agreement on the amounts payable as development Contributions, the bulk services to be provided by the Applicant or in respect of matters relating thereto, and the Municipality imposes its interpretation as a condition of approval, the Applicant shall, in addition to his right of appeal under Section 62 of the Local Government: Municipal System Act, have a right of appeal under section 44(1) of the Ordinance to the competent provincial authority.

7.6 The Municipality should, when imposing conditions of approval under the Ordinance, clearly stipulate when development contributions shall become payable (e.g. before a rates clearance certificate as contemplated in section 31(1) of the Ordinance may be issued, before approval of a site development plan or building plan, or before a certificate for occupancy is issued in terms of the building regulations).

## Calculation of Development Contributions

### 8.1 Brownfield Developments

- i) In this scenario, sufficient existing bulk services are available and the construction of new bulk services is not required. The Applicant must, however, make a Development Contribution for his portion of the capacity of the existing services. Because it would be complicated, impractical and time-consuming to calculate this exactly for each development on a case-by-case basis, the Thembelihle Development Contribution report calculation method can be used, as it covers this scenario on an average basis across all areas covered by that report, unless it would be more appropriate to adopt a different method of calculation in any particular instance.
- ii) The calculation method employed in the Thembelihle Development Contributions Report has *inter alia* taken into consideration the principles of the Venter Commission Report, the empowering provisions of the Ordinance, past and future infrastructure costs in terms of existing master planning, replacement value costs, existing loans and existing and future potential grants and subsidies.

### 8.2 Greenfields Developments

- i) In this scenario no bulk services are available and all bulk services still need to be constructed. The Applicant must make a Development Contribution for his portion of the capacity of the bulk services to be installed. If the development is self-contained and all bulk services are only for that development, then the actual costs thereof can be calculated, and charged to the Developer.
- ii) Development in the Thembelihle Development contributions report should be used, unless it would be more appropriate to adopt a different method of calculations in any particular instance.

### 8.3 Combined approach

- i) In this scenario use can be made of spare capacity in some bulk services also need to be constructed. The Applicant must make Development Contributions for his use of existing services and his portion of the new services.
- ii) Because it would be complicated, impractical and time-consuming to calculate this exactly for each development on a case-by-case basis, the Thembelihle Development Contribution Report calculation method can be used in the areas covered by that report, as covers this scenario on an average basis across all those areas.

## Service Agreements

Service Agreements conclude in compliance with Municipal conditions of approval imposed under the Ordinance must stipulate and record at least the following :

- The amount of Development Contributions payable;

- How escalation will be calculated on Development Contributions payable
- Exactly when Development Contributions will become due and payable;
- What bulk engineering services the Applicant is required to construct and/or upgrade, the standard with which such services comply and the agreement reached relating to set-off and/or refund the costs to be incurred by the Applicant in respect thereof.

## **Ensuring compliance**

10.1 The Municipality may use various checkpoints/milestones to ensure that an Applicant complies with the conditions of approval with regard to the payment of Development Contributions or the provision of engineering services. The conditions of approval imposed should stipulate clearly which further approvals or clearances as may be required by the

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## LONG -TERM FINANCIAL PLANNING

THEMBELIHLE MUNICIPALITY

POLICY ON LONG-TERM FINANCIAL PLANNING 2019/2020

### 1. POLICY TITLE

POLICY ON LONG TERM FINANCIAL PLANNING

## MAIN PURPOSE

The Policy on Long-Term Financial Planning is aimed at ensuring that the Municipality has sufficient and cost-effective funding in order to achieve its long-term objectives through the implementation of the medium-term operating and capital budgets. The purpose of the Policy on Long Term financial Planning is therefore to:-

- Ensure that all long-term financial planning is based on a structured and consistent methodology in order to ensure the long-term financial sustainability of Thembelihle Municipality
- Identify the need for revenue enhancement and cost saving strategies in order to improve service delivery at affordable rates; and
- Identify new revenue sources required to fund future budget cycles.

## SCOPE OF THE POLICY

- In essence a financial plan encompasses the development, implementation and evaluation of a plan for the provision of basic municipal services and capital assets. It is to assist decision makers in making informed choices about the provision of basic services and capital assets and to promote stakeholder participation in the process.
- The financial plan should set out the Municipality's estimated expenditure over the medium-term, based on its goals and objectives, as well as the resources necessary to achieve this. In addition, the financial plan must set out where funding for a planned expenditure will come from
- The compilation of the financial plan is a core component of an integrated Development Plan (IDP). The envisaged timeframe allocations for a long term financial plan are:-
  - Short term (12 months)
  - Medium term ( 2-3 years)
  - Long term (4 years onwards).

## STRATEGIC OBJECTIVE

To ensure that the municipality achieves a status of financial resilience whereby it is no longer grant dependent.

## KEY PRINCIPLES

The policy on Long-Term Financial Planning is based on the following principles:-

- Future financial sustainability;
- Annual growth in population and consumer based;
- Optimal utilization of grant funding and public donations; and
- Continuous improvement and expansion in service delivery framework

## GOVERNANCE ISSUES

- The Constitution of the Republic of South Africa, 1996
- The Municipal Finance Management Act, 56 Of 2003

## POLICY PROCEDURES

### ***DEVELOPMENT OF A FINANCIAL PLAN***

The phases for development of Financial Plan are set out below:

**Phase One**

**Compile a status quo assessment of the municipality's current financial status and key challenges**

**Phase Two**

**Conduct financial modelling to determine financial viability**

**Phase Three**

**Analyse outcomes and ratios**

**Phase Four**

**Prepare a long term financial plan**

### **Phase One : Status Quo Assessment**

- Performance a status quo assessment under the following criteria:- a) The Municipality's current financial status;
- b) Current revenue sources, internal and external;
- c) Main cost drivers impacting on the sustainability of the Municipality;
- d) Status of municipal infrastructure
- e) Ability to finance capital expenditure; and
- f) Municipal service delivery backlogs



- The financial viability and creditworthiness of the Municipality is measured against a number of nationally recognized key ratios.
- The objective of the status quo report is to assess the current financial position and to identify the key challenges faces by the Municipality. The status quo report will aim to identify issues which impact on the overall financial stability of the Municipality and will include a historical analysis and assessment of financial results ( based on annual financial statements)

## **Phase Two: Planned finance and financial Modeling**

- Upon completion of the status quo assessment, resulting in an understanding of the Municipality's financing need over the medium-term.
- This entails determining what expenditure the Municipality plans to undertake over the medium-term and what its financing requirements are likely to be and how these can be funded either internally or externally.

## **Phase three: Analyse Outcome and Ratios**

- Develop a financial forecast model to identify immediate opportunities and risks;
- Perform scenario planning to identify the optimum balance between revenue collection and municipal spending; taking into account the following:
  - a) Potential revenue enhancement strategies which may have an immediate impact on the revue base of the Municipality;
  - b) evaluate cost saving mechanisms to minimize the cost of effective service delivery
  - c) current infrastructure investments and maintenance programs which may influence revenue streams or the cost of service delivery;
    - Evaluate the medium and long term viability ( 2 years onwards):-
      - a) Development a financial forecast model to identify future opportunities and risks
      - b) Perform scenario planning to identify the optimum balance between revenue collection and municipal spending ; taking into account the following
        - the impact each scenario has on the financial viability rations of the Municipality;
        - potential revenue enhancement strategies which may have a long-term impact on the revenue base of the Municipality;
        - evaluate cost saving mechanisms to minimize the cost of effective service delivery; taking into account potential infrastructure development and renewals ;

- the impact of current infrastructure investments and maintenance programs on future revenue streams or cost of service delivery;
- the impact of envisaged future infrastructure investments on the revenue stream and cost of service delivery ; and
- the impact of provincial, national and municipal priorities over the medium and long term

## **Phase four: Develop a long term Financial Plan**

- Once the Municipality has finalise the prioritization of initiatives and projects; a comprehensive long-term financial plan will have to be developed to indicate the envisaged impact it will have on the financial status of the Municipality. An overall financial forecast will then have to be done in order to illustrate the projected result of the implementations throughout the five year period.
- Although a long-term financial plan provides a forecast of potential outcomes, it has to be emphasized that the success of the financial plan remains in continuous revision. As is the case with any forecast model, the financial plan should be seen

as a working document and should be subject to honest and realistic assessments of successes and failures on a regular basis.

- The fourth phase involves finalizing a medium-term income and expenditure plan based on the various alternative service delivery options.
- A key component in determining future options, potential problems and opportunities is the forecast of revenue and expenditures . The revenue and expenditure plan essentially involves combining the forecasting of revenues and the forecasting of expenditures into a single financial forecast.
- Finalisation of the Financial Plan includes collating all short, medium and longterm financial data and development of a long-term financial plan that:-
  - Identifies future revenue projections based on current and projected revenue streams, as well as those projects required to achieve these projections;
  - Identifies future expenditure frameworks and cost of service delivery based on current and projected expenditure patterns;
  - identifies the level of infrastructure development required to achieve the municipal priorities , within the funding restrictions; and
  - identifies external funding requirements required for capital invesment

## ***ANNUAL REVENUE OF FINANCIAL PLAN***

**7.2.1** The financial plan must be reviewed on an annual basis as part of the annual review of the IDP and updated with at least the following information:-

- any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Municipality;
- any changes in the economic and socio economic environment , other than previously predicted, which may influence the financial status of the Municipality;
- any changes in the revenue base or composition which may have an impact on the financial viability of the Municipality;
- any changes in the provincial, national or municipal priorities are previously identified; and
- any factors which may have an impact on the ability to implement previously.

## COMPETENCE AND CAPACITY TO IMPLEMENT

<input type="checkbox"/> Budget & Treasury Office

## RELEVANT LEGISLATION APPLICABLE TO THIS POLICY

This policy gives effect to the provision of the following legislation

- The Constitution of the Republic of South Africa, 1996
- The Local Government Municipal Finance Management Act (MFMA), Act No. 56 of 2003



# THEMBELIHLE

LOCAL MUNICIPALITY  
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U-MASIPALA WASEKUHLENI

## THEMBELIHLE LOCAL MUNICIPALITY

### OVERTIME POLICY

#### 1. DEFINITIONS

- 1.1 **"BCOE"** means the Basic Conditions of Employment Act No 75 of 1997
- 1.2 **"Thembelihle Municipality"** means a Municipal Council referred to in Section 157(1) of the Constitution.
- 1.3 **"Heads of Departments"** shall mean the Managers directly accountable to the Municipal Manager in terms of Local Government Municipal Systems Act 32 of 2000.
- 1.4 **"Supervisors"** means a person who supervises his/her subordinates in terms of the TASK job Evaluation System.
- 1.5 **"Employees"** all persons in the employment of the Municipality whether full/parttime.
- 1.6 **"Earning Threshold"** refers to the earning threshold determined by Minister of Labour in terms of Section 6(3) of the Basis Conditions of employment Act 75 of 1997, as amended.
- 1.7 **"Earning"** means gross pay before deductions.
- 1.8 **"Emergency work"** refers to work that must be done without delay because of circumstances for which the employer could not reasonably have been expected to make provision and which cannot be performed by employees during their ordinary hours of work. Emergency work excludes the performance routine maintenance work outside normal working hours.
- 1.9 **"Overtime"** means the time that an employee works during a day or a week in excess of ordinary hours of work (8 hours) including Saturdays, Sundays and Public Holidays.
- 1.10 **"Essential Services"** means a service the interruption of which can endanger the life, personal safety or health of the whole or any part of the population.
- 1.11 **"Remuneration"** means compensation in money or time off for overtime worked.
- 1.12 **"SALGBC"** means South African Local Government Bargaining Council.

## 2. GOAL

2.1 To respond to communities urgent needs in an effective, efficient and sustainable manner.

## 3. OBJECTIVES

3.1 To ensure that overtime policy respond effectively to crisis and emergency situations with regards to the provision of services.

3.2 To ensure that the Departments do not overspend the allocation of overtime budget.

3.3 To define a clearly written procedure in performing overtime.

3.4 To eliminate the abuse of overtime.

## 4. SCOPE AND APPLICATION

4.1 The policy should be applied by taking into consideration the stipulations in the BCOEA as well as the Divisional Conditions of Service Collective Agreement.

4.2 This policy to all Municipal employees but the payment of overtime does not apply to the following categories of employees:

- Workers in senior management
- Workers who earn more than the threshold per annum as determined by the Minister of Labour from time to time
- Workers who work less than 24 hours in a month

## 5. REGULATION OF WORKING OVERTIME HOURS

5.1 An employer may not require or permit an employee:

5.1.1 To work overtime except in accordance with an agreement, either on a day on which an employee would do ordinary work, Saturdays, Sundays or Public holidays.

5.1.2 To work more that three hours overtime a day.

5.1.3 To work more than ten hours overtime a week except the employees who perform/provide essential services e.g. electricity, water, health, environment, health, traffic, radio call control, switchboard operator, cashiers, refuse removal and refuse disposal.

5.1.4 A Collective Agreement may increase the maximum permitted overtime to fifteen

(15) hours a week. (Section (10)(6)(a) of the BCOEA) for up to two(2) months a year.

5.2 Employees earning more than the threshold per annum are required to receive paid time-off in lieu of overtime worked.

5.2.1 If the agreement is reached at municipal level to pay overtime to employees earning the above threshold, then an application must be made to the SALGBC Division Exemption Committee to pay these employees.

5.2.2 Where no collective agreement exist to regulate the payment for employees earning in excess the threshold the parties could agree at municipal level in terms of the payment and such be regulated in a policy.

5.3 An employer must grant paid time-off within one month of the employee becoming entitled to it.

5.4 An agreement in writing may increase the period to six (6) months.

5.5 An agreement concluded with an employee when the employee commences overtime lapses after six (6) months.

## **6. PAY FOR OVERTIME ( MONDAYS TO SATURDAYS)**

An employer must pay an employee at least one and one-half times the employees wage for overtime worked.

## **7. PAY FOR WORK ON SUNDAYS**

An employer must pay an employee who is requested to work on a Sunday double the employees wage for each hour worked, unless the employee ordinarily works on a Sunday, in which case the employer must pay the employee at one and one-half times the employees wage for each hour worked.

## **8. PAY FOR PUBLIC HOLIDAYS**

An employer must pay an employee who is requested to work on a public holiday double the employees wage for each hour worked.

## **9. PROCEDURE**

9.1 Before the employees perform overtime work, supervisors/section Heads must identify the need for a particular task to be performed as well as the volume of the work in order to determine the number of hours, taking into account that employees do not deliberately leave work incomplete for the sake of getting overtime.

9.2 After the identification of the need for a particular task to be performed, Supervisors must fill-in a request for authority to work overtime form, indicating the name/s of employees to perform the task, nature of the job to be performed and a place.

9.3 Supervisors must make recommendation to the Section Heads/managers for approval and authorization.

9.4 No overtime may be worked without the express prior authorization of the Head of Department/Section Manager concerned.

9.5 No claim for overtime pay may be made unless a copy of the permission or instruction authorizing that overtime to be worked accompanies it.

## **10. EMERGENCY**

In cases of emergency, filling a form in advance may be practically impossible, and Supervisors must immediately after the execution of a task/(within 24 hours) ensure that the procedure in terms of overtime policy has been followed.

## **11. DETERMINATION OF EARNINGS THRESHOLD**

The increase of earnings threshold per annum will be determined by the Minister of labour from time to time.

## **12. FORMULA OF CALCULATING OVERTIME**

Annual salary divided by 250 days = daily rate divided by 8 = hourly rate x normal overtime (1.5) or double time (x2)

## **13. FORMULA OF CALCULATING STANDBY**

Annual salary divided by 250 days = daily rate divided by 8 = hourly rate x normal time including Saturdays and double time which is Sundays including Public Holiday's.

## **14. DISPUTES ABOUT THE APPLICATION AND INTERPRETATION OF THIS POLICY**

Any dispute regarding the application and interpretation of this policy will be dealt with in terms of SALGBC Constitution.

## **15. IMPLEMENTATION OF THE POLICY**

This policy will apply and be effective on the date to be determined and approved by the Council.

**POLICY ON UNAUTHORIZED, IRREGULAR, FRUITLESS AND  
WASTEFUL EXPENDITURE AND THE ENFORCEMENT OF  
PROPER FINANCIAL MANAGEMENT THROUGH DISCIPLINARY  
AND CRIMINAL PROCEEDINGS  
(Approved by Council on 30 May 2019)**

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## Introduction

Municipalities are organs of state within the local sphere of government that collect monies from the public in the form of rates, taxes, levies, surcharges, duties and service charges, receive grants from national and provincial government and borrow for capital expenditure or bridging finance for short term purposes. These resources are appropriated by Council for the purpose of fulfilling its powers and functions, primarily to deliver services, in accordance with their mandate as set out in sections 151,153 and 156 of the Constitution.

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:

- i. “perform the functions of office in good faith, honestly and in a transparent manner, and
- ii. 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.”

In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “the Act”), the accounting officer is responsible for managing the financial affairs of the municipality and he/she must, for this purpose, inter alia:

- (a) take all reasonable steps to ensure that:
  - unauthorised; and
  - irregular; and
  - fruitless and wasteful expenditure; and
  - other losses are prevented; and

- (b) ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the Act.

This policy is aimed at providing the accounting officer with an overview of legislation pertaining to unauthorised, irregular, fruitless and wasteful expenditure and the recovery of same where applicable.

## **Restriction on the incurring of expenditure**

Section 15 of the Act provides that a municipality may, except where otherwise provided therein, incur expenditure only -

- a) in terms of a budget approved by the council or by a provincial or the national executive following an intervention in terms of section 139 of the Constitution and also an annual budget as revised by an adjustments budget in terms of section 28 of the Act; and
- b) within the limits of the amounts appropriated for the different votes in an approved budget.

## **Withdrawal of money from a municipal bank**

In terms of section 11(3) of the Act, money may be withdrawn from a bank account of the municipality without appropriation (without further budget approval) in terms of an approved budget for the following purposes:

- a) to defray expenditure authorised in terms of section 26 (4) which provides that, until a budget for the municipality is approved, funds for the requirements of the municipality may, with the approval of the MEC for local government, be withdrawn from the municipality's bank accounts subject to certain conditions and restrictions;
- b) to defray unforeseeable and unavoidable expenditure authorized by the mayor in emergency or other exceptional circumstances in terms of section 29 (1) of the Act and the council's applicable policy;
- c) in the case of a bank account opened in terms of section 12 of the Act for relief, charitable and trust purposes, to make payments from such account but only by or on the written authority of the accounting officer acting in accordance with decisions of the council and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated;
- d) to pay over to a person or organ of state money received by the municipality 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;
- e) to refund money incorrectly paid into a bank account;
- f) to refund guarantees, sureties and security deposits;
- g) for cash management and investment purposes in accordance with the cash and investment policies of the municipality;
- h) to defray increased expenditure in terms of section 31 of the Act which relates to the shifting of funds between multi-year appropriations;

- i) for such other purposes prescribed under the Act.

## Defining concepts

**“Unauthorised expenditure”** is incurred by the municipality otherwise than in accordance with section 15 or 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 of money made to the municipality by the national government from revenue raised nationally contrary to the condition(s) of such allocation or an allocation of money to a municipality in terms of a provincial budget;
- f) a grant by the municipality otherwise than in accordance with the Act.

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.

It should be noted that “unauthorised expenditure” excludes “irregular” expenditure.

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government,

municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

With reference to MFMA section 1(b) – a municipality’s operational and capital budgets are divided into ‘votes’ which represent those components of the budget that have amounts appropriated for the financial year, for different departments or functional areas. The Municipal Budget and Reporting Regulations (MBRR) prescribe the structure and formats of municipal budgets, including votes, in Tables A1 to A10. Votes are informed by Table A3 (Budgeted Financial Performance: revenues and expenditure by municipal vote) and Table A5 (Budgeted Capital

Expenditure by vote, standard classification and funding). Budget Table A4 (Budgeted Financial Performance: revenue and expenditure) by implication is approved by the council and as such must also be taken into consideration when determining unauthorised expenditure. In other words, when considering unauthorised expenditure from an operating budget both Table A3 and A4 (read in conjunction with the supporting table SA1) of the MBRR would have to be considered.

Overspending must also be determined in relation to each of the votes on both the operational budget and the capital budget. Where Council has approved a virement policy that allows the accounting officer to make limited shifts of funds between votes, must also be taken into account.

With reference to MFMA section 1(c) – funds appropriated in a vote for a department may not be used for purposes unrelated to the functions of that department. In other words, an accounting officer or other official may not use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget. Where a Council has approved a virement policy, shifts made in accordance with that policy may be allowed, and must be taken into account when reviewing such expenditure.

With reference to MFMA section 1(d) – in addition to appropriating funds for a department’s vote, the Council may also appropriate funds for a specific purpose within a department’s vote, for example, for specific training initiatives or a capital project. Funds that have been designated for a specific purpose or project may not be used for any other purpose.

With reference to MFMA section 1(e) – the items referred to in the definition of ‘allocation’ are national and provincial conditional grants to a municipality and other ‘conditional’ allocations to the municipality from another municipality or another organ of state. Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure.

With reference to MFMA section 1(f) – section 67 of the MFMA regulates the transfer of municipal funds to organizations and bodies outside government. In terms of this section, a municipality may only provide grants to organizations and NOT individuals. Therefore any grant to an individual is unauthorised expenditure, unless it is in terms of the municipality’s indigent policy or bursary scheme.

Therefore, valid expenditure decisions can only be made by council in terms of a budget or an adjustments budget. It follows that only the council may authorise instances of unauthorised expenditure and council must do so through an adjustment budget. This principle is further reiterated in section 32(2)(a)(i) of the MFMA read with regulation 25 of the MBRR which states that unauthorised expenditure must be authorised by the municipality in an adjustments budget that is approved by the municipal council. This is the rationale for the provisions in regulation 23(6) of the MBRR which provides the legal framework for the authorisation of unauthorised expenditure.

### ***“Expenditures that are NOT classified as unauthorised expenditure”***

Given the definition of unauthorised expenditure, the following are examples of expenditures that are NOT unauthorised expenditure:

- a) Any over-collection on the revenue side of the budget as this is not an expenditure; and
- b) Any expenditure incurred in respect of:
  - (i) any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
  - (ii) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
  - (iii) overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a ‘vote’ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and

- (iv) overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a 'vote' on the main budget Table A5.

### ***“Unauthorised expenditure on non-cash items”***

Such expenditure relates to debt impairment, depreciation, asset impairment, transfers and grants as appropriated in Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) of the MBRR.

Although these expenditures are considered non-cash items as there is no transaction with any service provider or supplier, an under provision during the budget compilation process is a material misstatement of the surplus or deficit position of the municipality. This could be the result of poor budgeting or financial management, or unknown events that gave rise to the asset and debt impairment after the adoption of the budget. In this regard Table A4 (Budgeted Statement of Financial Performance: revenue and expenditure) must be read in conjunction with supporting Table SA1 of the MBRR.

### ***“Unforeseen and unavoidable expenditure”***

Unforeseen and unavoidable expenditure is discussed in section 29 of the MFMA and reads as follows:

- a) 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.
- b) Any such expenditure—
  - i must be in accordance with any framework that may be prescribed;
  - ii may not exceed a prescribed percentage of the approved annual budget;
  - iii must be reported by the mayor to the municipal council at its next meeting; and
  - iv must be appropriated in an adjustments budget.

c) If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies.

The framework referred to in section 29(2)(a) of the MFMA is prescribed in chapter 5 of the MBRR, and contained in regulation 71 and 72. The following shall apply:

- i. the amount the mayor authorised as unforeseen and unavoidable expenditure exceeds the monetary limits set in regulation 72 of the MBRR, the amount in excess of the limit is unauthorised; ii. the reason for the mayor authorising the

unforeseen and unavoidable expenditure does not fall within the ambit of regulation 71(1) of the MBRR, the expenditure is unauthorised; iii. the reason for the mayor not authorising the unforeseen and unavoidable expenditure falls outside the ambit of regulation 71(2) of the MBRR, the expenditure is unauthorised; and iv. the council does not appropriate the

expenditure in an adjustments budget that is passed within 60 days after the expenditure was incurred, the expenditure is unauthorised.

**“Irregular expenditure”** occurs in the following circumstances:

- a) Where the expenditure concerned is incurred by the municipality or a municipal entity in contravention of, or that is not in accordance with, a requirement of the Act, and which has not been condoned in terms of section 170 thereof. In terms of section 170 of the Act, National Treasury may, on good grounds, approve a departure from a treasury regulation or from any condition imposed in terms of the Act. Non-compliance with a regulation made in terms of section 168 or with a condition imposed by the National Treasury in terms of the Act may, on good grounds shown, also be condoned by the National Treasury.
- b) Expenditure incurred by the municipality or a 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 the 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 the 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”.

The accounting officer may, in terms of section 36(1)(b) of the Municipal Supply Chain

Management Regulations, 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. The accounting officer must record the reasons for any deviations and report them to the next meeting of the council or board of directors in the case of a municipal entity, and include same as a note to the annual financial statements.

Irregular expenditure is expenditure that is contrary to 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. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

A **“vote”** means 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 which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

**“Overspending”** occurs in the following circumstances:

- a) where the operational or capital expenditure incurred by the municipality during a financial year exceeds the total amount appropriated in that year's budget for operational or capital expenditure, as the case may be;
- b) in relation to a vote, in the event of expenditure exceeding the amount appropriated for that vote; or
- c) where expenditure pending the approval of the budget of the municipality exceeds the amount permissible in terms of section 26(5) of the Act. In terms of this sub-section, funds withdrawn from a municipality's bank accounts in terms of sub-section (4) may be used only to defray current and capital expenditure in connection with votes for which funds were appropriated in the approved budget for the previous financial year and any withdrawal may not, during any month, exceed eight per cent of the total amount appropriated in that approved budget for current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year and exceed the amount actually available.

### ***“Fruitless and wasteful expenditure”***

The Act defines “fruitless and wasteful expenditure” as expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **Recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Section 32 (2) of the Act provides that the municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless that expenditure is:



- a) in the case of unauthorised expenditure, authorised in an adjustments budget or certified by the council, after investigation by a council committee, as irrecoverable and written off by the council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

## **Role of council committee**

In terms of section 74 the Municipal Budget and Reporting Regulations contained in Government Notice 393 of 17 April, 2009, a council committee appointed to investigate the recoverability or otherwise of any unauthorised, irregular or fruitless and wasteful expenditure must consider –

- a) the measures already taken to recover such expenditure;
- b) the cost of the measures already taken to recover such expenditure;
- c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
- d) submit a motivation explaining its recommendation to the council for a final decision.

The municipal manager must provide the committee concerned with such information it may require for the purpose of conducting a proper investigation.

The aforesaid committee may only comprise councillors and should not include political office bearers of the municipality. At least 3 councillors are required to constitute a committee.

It should be noted that the council is required by resolution to certify that the expenditure concerned is considered irrecoverable and that it should be written off. This power may not be delegated by the council.

An audit committee established in terms of section 166 of the Act is not precluded from assisting the appointed committee with its deliberations.

## **Writing off of unauthorised, irregular, fruitless and wasteful expenditure is no excuse in criminal and disciplinary proceedings**

In terms of section 32 (5) of the Act, the writing off of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of the Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

## **Liability of political office bearers for unauthorised expenditure**

Without limiting liability in terms of the common law or other legislation, a political office-bearer of the municipality is, in terms of section 32(1)(a) of the Act, liable for unauthorised expenditure if that office-

bearer either knowingly or after having been advised by the accounting officer that the expenditure concerned is likely to result in unauthorised expenditure, instructed an official of the municipality to incur such expenditure.

The Act defines a “political office-bearer” as the speaker, mayor or a member of the executive committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act, 1998.

## **Liability for unauthorised expenditure deliberately or negligently incurred**

Section 32 (1) (b) (c) and (d) of the Act provides that, without limiting liability in terms of the common law or other legislation:

- a) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by him or her, subject to section 32 (3). The accounting officer accordingly incurs liability for unauthorised expenditure deliberately or negligently incurred unless he / she informs the council or the mayor, as the case may be, in writing that a decision which has been taken, if implemented, is likely to result in unauthorised expenditure;
- b) any political office-bearer or official of the municipality who deliberately (intentionally) or negligently (failed to take adequate care) committed, made or authorised an irregular expenditure, is liable for that expenditure; or
- c) any political office-bearer or official of the municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

An “official” of the municipality has a wider meaning than an employee or staff member of the municipality and includes -

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

## **Reporting of unauthorised, irregular or fruitless and wasteful expenditure**

Section 32 (4) of the Act requires the accounting officer to promptly inform the mayor, the MEC for local government and the Auditor-General, in writing, of -

- a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;

- b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- c) the steps that have been taken -
  - i. to recover or rectify such expenditure; and
  - ii. to prevent a recurrence of such expenditure.

## **Reporting of irregular expenditure, theft and fraud**

Section 32 (6) of the Act obliges the accounting officer to report to the South African Police Service all cases of alleged -

- a) irregular expenditure that constitute a criminal offence; and
- b) theft and fraud that occurred in the municipality.

The council must, in terms of section 32(7) of the Act and through the mayor, take all reasonable steps to ensure that all cases of irregular expenditure incurred as a result of a criminal offence, theft and fraud are reported to the South African Police Service if -

- a) the charge is against the accounting officer; or
- b) the accounting officer failed to comply with section 32(6) (referred to above) of the Act.

## **Remuneration of councillors and irregular expenditure**

Section 167 (1) of the Act provides that a municipality may remunerate its political office-bearers (speaker/mayor) and members of its political structures (councillors), but only -

- a) within the framework of the Remuneration of Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members; and
- b) in accordance with section 219 (4) of the Constitution.

Section 167(2) of the Act provides that any remuneration paid or given in cash or in kind to a person as a political office-bearer or as a member of a political structure of a municipality otherwise than in accordance with sub-section (1), including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure, and the municipality -

- a) must, and has the right to, recover that remuneration from the political office-bearer or member concerned; and
- b) may not write-off any expenditure incurred by the municipality in paying or giving that remuneration. It should be noted that the Government Notice increasing the upper limits of the salary and allowances of councillors normally contains the following preamble:

*“The salary and allowances of a member of a municipal council is determined by that municipal council by resolution of a supporting vote of a municipality of its members, in consultation with the member of the Executive Council responsible for local government in the province concerned, having regard to the upper limits as set out hereunder, the financial year of municipal councils, and the affordability of municipal councils to pay within the different levels of remuneration of councillors”.*

For purposes of implementing this Government Notice, “in consultation with” means that municipalities will require the concurrence of the member of the Executive Council responsible for local government in the province concerned.”

The above preamble has the effect that irregular expenditure will occur in the event of councillor salaries and allowances being increased prior to the consideration of a report thereon by the council on such adjustment, budgetary provision, affordability and the adoption of the required resolution. Irregular expenditure will also occur in the event of existing salaries and allowances being increased without prior consultation with the MEC for local government in the province.

It should further be noted that the municipality is obliged to recover any irregular expenditure from councillors and that same cannot be written off as irrecoverable.

In the case of the overpayment of salaries and allowances, this recovery may be by way of set-off from subsequent similar payments due to the councillors concerned.

## **Irregular staff appointments**

- a) Section 66 (3) of the System Act provides that no person may be employed in a municipality unless the post to which he or she is appointed, is provided for in the staff establishment of the municipality as approved by the council.
- b) If a person is employed contrary to subparagraph (a), the decision to employ such person as well as the ensuing contract of employment between the parties is null and void and of no force or effect.
- c) Any person who takes a decision contemplated in subparagraph (a) knowing that such decision is unlawful, may be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.

## **Enforcing proper financial management through disciplinary, criminal and civil proceedings**

The Act seeks to secure compliance with its provisions by creating both acts of misconduct, dealt with in disciplinary proceedings, and offences, which are prosecuted in criminal proceedings.

As pointed out above, section 62 (1)(e) of the Act provides that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and he/she must, for this purpose, inter alia, take all reasonable steps to ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15. The accounting officer has discretionary power to institute criminal proceedings against the official concerned. No discretionary power exists with regard to the taking of disciplinary action. The final decision to institute criminal proceedings will, however, lie with state prosecuting authorities.

The taking of disciplinary action against an official who allegedly committed an act of financial misconduct is not a bar against the laying of a criminal charge based on the same facts and a criminal prosecution does not bar the municipality from instituting disciplinary action against such official.

The course of action to be adopted will depend on the seriousness of the alleged act of misconduct, the prevalence of such conduct in the municipality and the provisions of the council's fraud and anticorruption policies. It is essential for a consistent approach to the taking of disciplinary action and the institution of criminal proceedings to be adopted and implemented.

### **Disciplinary proceedings**

The Act defines specific acts of misconduct for accounting officers, chief financial officers', other senior managers or officials who have delegated powers or duties in the area of financial management.

Section 171(1) of the Act provides that an act of financial misconduct is committed by a municipal manager if he or she deliberately or negligently commits one of the following acts:

- a) contravenes any provision of the Act;
- b) fails to comply with a duty imposed on an accounting officer under the Act;
- c) makes, permits or instructs another municipal official to make an unauthorised, irregular, or fruitless and wasteful expenditure; or
- d) provides incorrect or misleading information in any document that must be supplied in terms of the Act to the mayor, the council, the Auditor-General, any other organ of state (such as the provincial treasury) or the public.

The chief financial officer also commits an act of misconduct when he or she deliberately or negligently fails to carry out any delegated duty, or contravenes or fails to comply with a condition of a delegated power or

duty. A chief financial officer may not make, permit or instruct another municipal official to incur unauthorised, irregular, or fruitless and wasteful expenditure, or provide incorrect or misleading information to the accounting officer for incorporation into any written report which must be submitted to the mayor or the council, the Auditor-General, National Treasury, any other organ of state or be made public. Any of these acts constitute acts of misconduct. Similar acts of misconduct are created for senior managers and other officials exercising management responsibilities.

A “senior manager” is a manager referred to in section 56 of the Municipal Systems Act, namely a manager directly accountable to the municipal manager.

Once allegations of financial misconduct have been made against the accounting officer, the chief financial officer, a senior manager or any officials, the municipality (presumably the council as political structure) must cause the matter to be investigated. This duty does not arise where these allegations are frivolous (not serious), vexatious (without ground and aimed at causing annoyance or embarrassment), speculative or obviously unfounded. In the event that allegations are made against an official other than the accounting officer, the latter must oversee the investigation. If the accounting officer is the accused, the mayor bears the responsibility of overseeing the investigation.

If the investigation reveals a prima facie case of financial misconduct, the municipality must institute disciplinary proceedings against the responsible officer in accordance with the systems and procedures referred to in section 67 of the Municipal Systems Act, read with Schedule 2 of that Act (the staff code of conduct) (in the case of the accounting officer, by the mayor and, in the case of other staff, by the accounting officer).

Section 67(1) of the Municipal Systems Act provides that a municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration including those relating to disciplinary procedures. These systems and procedures apply to a person referred to in section 57 of this Act (i.e. managers directly accountable to the municipal manager), except to the extent that they are inconsistent with that person’s employment contract.

Disciplinary action against an official on the grounds of financial misconduct will normally be undertaken in terms of the Disciplinary Procedure and Code of the South African Local Government Bargaining Council (the Disciplinary Code). This Code is not entirely suitable for disciplinary action against senior staff of a municipality and particularly the accounting officer. The fact that the municipality (the council) must cause alleged acts of misconduct by the accounting officer and senior managers to be investigated is in conflict with the provisions of the Code. In the absence of any contractual provisions in the employment contracts of these staff members regulating disciplinary matters, the provisions of the Code must, however, be applied.

Section 29 of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 contained in GN R805 of 1 August 2006 reads as follows:

*“29. The employer will be entitled to terminate the employee’s employment contract for any sufficient reason recognized by law, provided that the employer must comply with its disciplinary code and procedures, in the absence of which the disciplinary code and procedures of the South*

*African Local Government Bargaining Council will apply, as well as in accordance with the Labour Relations Act, 1995 (Act No. 66 of 1995). “*

The Disciplinary Procedure and Code must be read in conjunction with the Code of Conduct for Municipal Staff contained in Schedule 2 to the Municipal Systems Act and it is essential for charges of alleged financial misconduct to accurately describe the alleged transgressions.

The Disciplinary Code contains several acts of misconduct by staff which could constitute financial misconduct and it is possible to institute disciplinary action against an accounting officer and senior manager without reference to the acts of financial misconduct referred to in section 171(1) of the Act.

## **Criminal proceedings**

Certain acts committed by councillors, the chief financial officer, senior managers and other officials are deemed to constitute criminal conduct. The seriousness of these offences is apparent from the fact that any offence in terms of section 173 of the Act carries a prison sentence of up to five years or an appropriate fine determined in terms of applicable legislation.

A wide array of conduct is subject to criminal sanction.

- (1) The accounting officer of a municipality is guilty of an offence if he or she -
  - a) deliberately or in a grossly negligent way -
    - i. contravenes or fails to comply with a provision of section 61 (2) (b), 62 (1), 63 (2) (a) or (c), 64 (2) (a) or (d) or 65 (2) (a), (b), (c), (d), (f) or (i);
    - ii. fails to take reasonable steps to implement the municipality's supply chain management policy referred to in section 111;
    - iii. fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure; or
    - iv. fails to take all reasonable steps to prevent corruptive practices -
      - (aa) in the management of the municipality's assets or receipt of money; or
      - (bb) in the implementation of the municipality's supply chain management policy;
  - b) deliberately misleads or withholds information from the Auditor-General on any bank accounts of the municipality or on money received or spent by the municipality; or
  - c) deliberately provides false or misleading information in any document which in terms of a requirement of this Act must be -

(aa) submitted to the Auditor-General, the National Treasury or any other organ of state; or

(bb) made public.

Three elements of the above offences require closer attention. Firstly, the actus reus (the voluntary and wrongful act or omission that constitutes the physical components of a crime) can either be an act or an omission. An “act” consists of a direct contravention of a legal provision, while an 'omission' consists of the failure to comply with a positive duty imposed by statute. In proving the actus reus, there must be evidence that, for example, a municipality did not have or maintain "a management, accounting and information system that accounts for the assets and liabilities of the municipality". This is an objective assessment. The second element of the offence is the establishment of a causal link between any action or omission by the accounting officer and the objective state of affairs. It must be shown that the officer either acted contrary to a provision or failed to take all reasonable steps required by a provision. Once the actus reus elements have been established, the mens rea must be proved; the action or omission must either have been deliberate or the result of gross negligence.

Given the high premium placed on the supervisory roles of the Auditor-General, the National Treasury and the province, the deliberate misleading or withholding of information from them, has been criminalised. The accounting officer may not deliberately mislead or withhold information from the Auditor-General on any municipal bank account or on money received or spent. Likewise, the accounting officer may not deliberately provide false or misleading information in any document which must be submitted to the Auditor-General, the National Treasury, or any other organ of state, or made public.

## **Civil proceedings**



Losses or damages suffered by the municipality because of an act committed or omitted by an official constitutes a debt owing to the municipality and must be recovered from such an official if that official is liable in law.

The accounting officer must determine the amount of the loss or damage and, in writing, request that official to pay such amount within 30 days or in reasonable instalments. If the official fails to comply with the request, the matter must be handed to the municipality’s attorneys for the recovery of the loss or damage plus accrued interest through civil process.

## Offences by councillors

In terms of section 173(4) of the Act, a councillor is guilty of an offence if he or she-

- a) deliberately influences or attempts to influence the accounting officer, the chief financial officer, a senior manager or any other official of the municipality to contravene a provision of the Act or to refrain from complying with a requirement of this Act;
- b) interferes in the financial management responsibilities and functions assigned in terms of the Act to the accounting officer of the municipality or delegated to the chief financial officer of the municipality in terms of the Act;
- c) interferes in the financial management responsibilities and functions assigned in terms of the Act to the accounting officer of a municipal entity under the sole or shared control of the municipality; or
- d) interferes in the management or operational activities of a municipal entity under the sole or shared control of the municipality.

## Criminal sanctions - councillors, senior managers and other officials

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.

## **Civil liability of municipality, structures, office bearers municipality, structures, office bearers and officials**

The Act exempts municipalities, their political structures, office-bearers or officials from civil liability for any loss or damage resulting from the exercise of any power or the performance of any function in terms of the Act, provided same was done in good faith. Without limiting liability in terms of the common law or other legislation, a municipality may recover from its political office bearers and officials, any loss or damage suffered by it because of their deliberate or negligent unlawful actions when performing a function of office.

## **Process to be followed when dealing with unauthorised, irregular, fruitless and wasteful expenditure**

### **18.1 Unauthorised expenditure**

In considering authorisation of unauthorised expenditure, council must consider the following factors:

- a) Has the matter been referred to Council for a determination and decision?

- b) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?
- c) Has the incident been referred to a council committee for investigation and recommendations?
- d) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?
- e) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?
- f) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:
  - i. 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;
  - ii. the mayor, accounting officer or official was acting in good faith when making and permitting unauthorised expenditure; and
  - iii. the municipality has not suffered any material loss as a result of the action.

In these instances, the council may authorise 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.

### ***Adjustments budgets to authorise unauthorised expenditure***

Section 15 of the MFMA provides that a municipality may incur expenditure only in terms of an approved budget. This is confirmed by section 32(2)(a)(i) of the MFMA that provides that council may only authorise unauthorised expenditure in an adjustments budget.

Sections 28(c) and 28(g) of the MFMA, read together with regulations 23(1), 23(2), 23(4) and 23(6) of the MBRR, discusses when council may authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

- a) Adjustments budget for unforeseen and unavoidable expenditure: An adjustments budget to allow council to provide ex post authorisation for unforeseen and unavoidable expenditure that was authorised 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 incurred (see section 29(3) of the MFMA). 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 authorised in one of the other adjustments budgets process described below.

- b) Main adjustments budget: In terms of regulation 23(6)(a) of the MBRR, council may authorise unauthorised 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”. Therefore unauthorised expenditure that occurred in the first half of the current financial year may be authorised by council in this adjustments budget. 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.
- c) Special adjustments budget to authorise unauthorised expenditure: In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustments budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.” This special adjustments budget therefore deals with:
- i. unauthorised expenditure that occurred in the first half of the previous financial year that was not included in the main adjustments budget or that was included but referred back for further investigation or further information;
  - ii. unauthorised expenditure that occurred in the second half of the previous financial year, and
  - iii. any unauthorised expenditure identified by the Auditor-General during the annual audit process.

The timing of this special adjustments budget requires:

- i. the municipality to report all the unauthorised expenditure in its annual financial statements (thus ensuring transparency regarding its performance with implementing the budget);
- ii. the Auditor-General to audit the municipality’s disclosure of its unauthorised expenditure and to add any further unauthorised expenditure identified in the audit process; and
- iii. sufficient time (but also places a time limit) for instances of unauthorised expenditure to be properly investigated before being presented to council for a decision on whether or not to authorise it; the investigation is normally done by a council committee.

### ***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 authorised by council in an adjustments budget.

Once it has been established who is liable for the unauthorised expenditure, the accounting officer must, in writing, request that the liable official or political office-bearer pay the amount within 30 days or in reasonable instalments. If the person fails to comply with the request, the matter must be handed to the municipality’s legal division for the recovery of the debt through the normal debt collection process.

## ***Irregular expenditure***

In terms of section 32(2)(b) irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

With reference to (a) as defined, - in terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council and is elaborated on page 10.

With reference to (b) as defined – there is no provision in the MSA that allows for a contravention of the Act to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the accounting officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.

With reference to (d) as defined – a council may condone a contravention of the council approved SCM policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case (a) applies and then only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to [mfma@treasury.gov.za](mailto:mfma@treasury.gov.za) for consideration.

Once the Accounting Officer or Council becomes aware of any allegation of irregular expenditure, such allegation may be referred to the municipality's own Internal Audit Unit or any other appropriate investigative body for investigation, to determine whether or not grounds exist for a charge of financial misconduct to be laid against the official liable for the expenditure.

## ***Ratification of minor breaches of the procurement process***

In terms of regulation 36(1)(b) of the Municipal Supply Chain Management Regulations, the supply chain policy of a municipality may allow the accounting officer to 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. Where a municipality's supply chain management policy does not include this provision the accounting officer cannot exercise this ratification power. It is important to note that the accounting officer can only rely on this provision if the official or committee who committed the breach had the delegated authority to perform the function in terms of the municipality's adopted System of Delegations,

which must be consistent with the MFMA and its regulations. The process to deal with minor breaches of the SCM policy is contained in a flowchart, refer to (Annexure B).

Note that the accounting officer may only ratify a breach of process, and not the irregular expenditure itself, which means that the 'irregular' expenditure will still remain irregular. The responsibility to ratify the actual irregular expenditure vests with the Council and processes to deal with such matters are outlined in section 32(2) of the MFMA read together with Regulation 74 of the MBRR.

Regulation 36(2) of the SCM regulations states that the accounting officer must record the reasons for any deviations and report to the next Council meeting, and disclose this expenditure in a note to the annual financial statements. The emphasis is on recording the "reasons for any deviations and the associated expenditure".

All breaches of a municipality's SCM policy will result in irregular expenditure, in the event that expenditure is incurred; the monetary value of this irregular expenditure is not relevant. The issue of whether the breach is minor or material relates to the nature of the breach and the intent of those responsible for the breach; not to the monetary value thereof.

In terms of regulation 36 of the SCM Regulations, the accounting officer is responsible for deciding whether a particular breach of procurement processes is minor or material. In exercising this discretion the accounting officer must be guided by:

- a) the specific nature of the breach: is it simply technical in nature, not impacting in any significant way on the essential fairness, equity, transparency, competitiveness or cost effectiveness of the procurement process?
- b) the circumstance surrounding the breach: are the circumstances justifiable or, at least, excusable?
- c) the intent of those responsible for the breach: were they acting in good faith?
- d) the financial implication as a result of the breach: what was the extent of the loss or benefit?

The accounting officer would have to consider the merits of each breach of the procurement processes and take a decision as to whether it should be classified as a minor or material breach.

Note that this category only covers breaches of procurement processes in the municipality's SCM policy and not breaches of other legislation or regulations.

It is important to emphasise that, in terms of the regulation 36 of the SCM Regulations, only the accounting officer can consider the ratification of minor breaches of procurement processes that are purely of a technical nature.

It is advisable that the accounting officer implement appropriate processes in the municipality's

SCM policy to investigate the nature of the breach so that an informed decision on corrective action can be made. In the event that a breach falls outside the classification of a minor breach, the accounting officer cannot follow the remedy contained in regulation 36 (1) (b).

The MFMA and the SCM regulations do not specify what these processes should be, however, it is recommended that Council investigate the nature of the breach through its Internal Audit Unit or any other investigation body and adopt corrective action as recommended by the Audit Committee.

The SCM regulation 36(2) specifies a separate process for reporting the ratification of minor breaches to council, after they have been ratified by the accounting officer. The findings of any investigation must be reported to the accounting officer for consideration when making a decision in this regard. It is important to maintain documentary evidence for audit purposes

### ***Disciplinary charges for irregular expenditure***

If, after having followed a proper investigation, the council concludes that the political office- bearer or official responsible for making, permitting or authorising 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:

- a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
  - i. contravened a provision of the MFMA which resulted in irregular expenditure; or
  - ii. made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
- b) 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
- c) 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.

### ***Criminal charges arising from an act of irregular expenditure***

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.

The irregular expenditure was the result of a breach of the definition of irregular expenditure it must be considered in terms of section 173 of the MFMA.

### ***Recovery of irregular expenditure***

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. In other words, the expenditure that is written off is therefore condoned.

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 authorising the irregular expenditure.

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.

### ***Fruitless and wasteful expenditure***

The processes to respond appropriately to fruitless and wasteful expenditure are similar to the following three processes outlined for irregular expenditure:

- a) disciplinary charges against officials and political office bearers;
- b) criminal charges against officials and political office-bearers; and
- c) recovery of the fruitless and wasteful expenditure from the liable persons.

The description of the categories of irregular expenditure in the above three instances can be applied directly to fruitless and wasteful expenditure. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.

Council should follow section 32(2)(b) of the MFMA when dealing with instances of fruitless and wasteful expenditure.

### ***Register of unauthorised, irregular, fruitless and wasteful expenditure***

All instances of unauthorised, irregular, fruitless and wasteful expenditures must be reported to the mayor, the MEC for local government in the province, the Auditor-General, disclosed in the annual report, and to



council as required by section 32(4) and 74 of the MFMA. This disclosure will assist in addressing challenges relating to expenditure control and transparent reporting in order to strengthen accountability.

The introduction of a 'register' to capture unauthorised, irregular, fruitless and wasteful expenditure will ensure that financial management in municipalities is improved, resulting in better audit outcomes.

All municipalities need to do all they can to prevent prohibited expenditures. The accounting officer also needs to make sure that the municipality has proper processes in place to record and manage prohibited expenditures, should they occur. Therefore, as part of complying with section 62(1)(d) of the MFMA, the accounting officer (who may delegate the task to the chief financial officer) must set-up and maintain a Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures.

Annexure A sets out the minimum information that should appear in such a Register.

Municipalities are free to add more detail should they deem this necessary. The aim of the Register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework.

Municipalities are required to implement a register of unauthorised, irregular, fruitless and wasteful expenditure from 1 July 2013, for all transactions falling within this category and ensure it is updated on a continuous basis. This information will allow management to address such matters more thoroughly and within appropriate timeframes.

**POLICY ON UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND THE ENFORCEMENT OF PROPER**

**FINANCIAL MANAGEMENT THROUGH DISCIPLINARY AND CRIMINAL PROCEEDINGS**

(Approved by Council on 30 May 2018 )

**ANNEXURE A**

***Register of Unauthorised, Irregular, Fruitless and Wasteful Expenditure***

Name of Municipality														
No	Date of discovery	Date Reported to Accounting Officer	Transaction details				Person Liable (Official or Political Office Bearer)	Type of Prohibited Expenditure	Status					
			Date of Payment	Payment Number	Amount	Description of Incident			UI	DP	CC	TR	P	WO

Abbreviations:

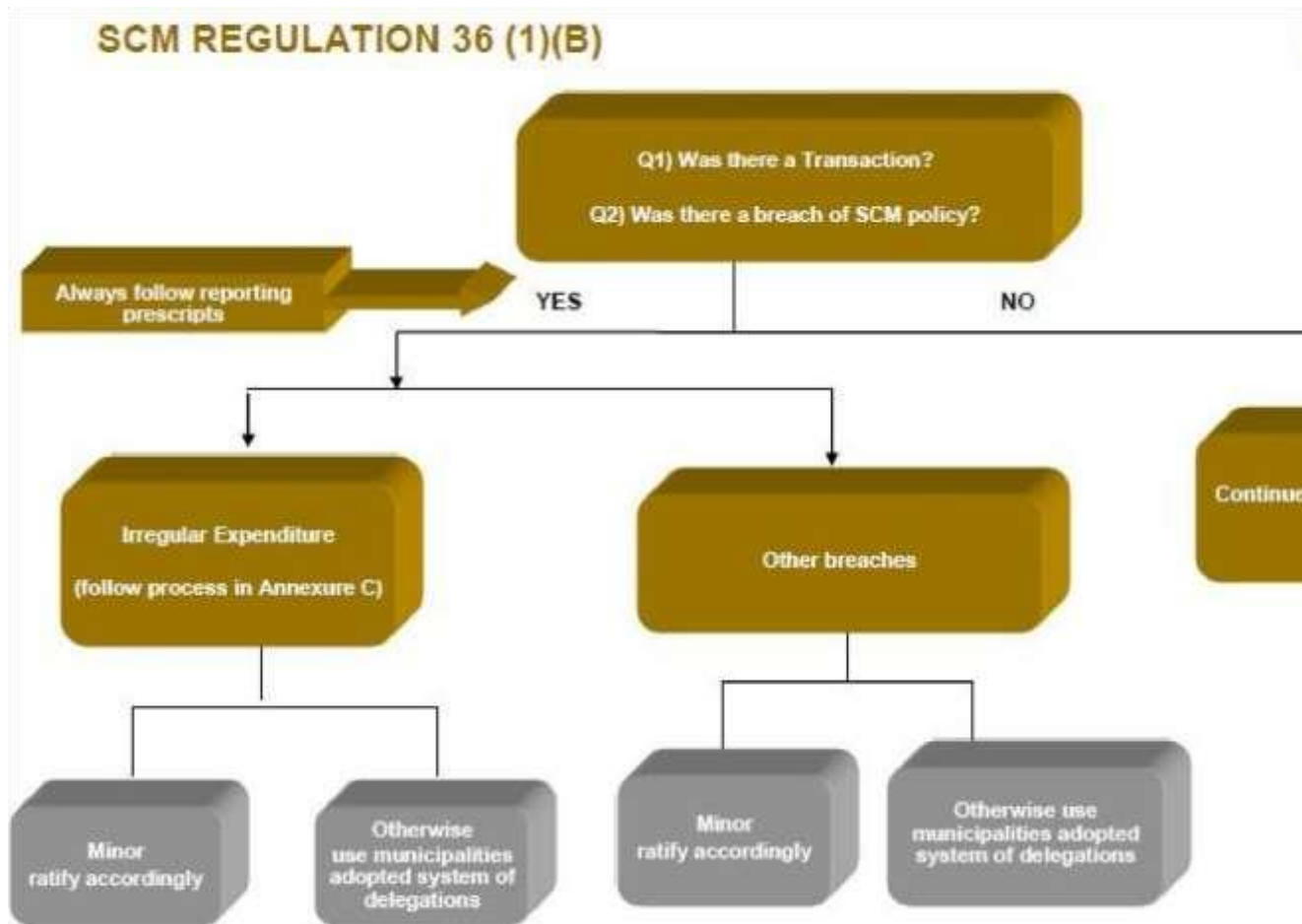
**FINANCIAL MANAGEMENT THROUGH DISCIPLINARY AND CRIMINAL PROCEEDINGS**

(Approved by Council on 30 May 2018)

- UI: Irregular expenditure Under Investigation
- DP: Disciplinary process initiated against responsible person
- CC: Criminal charges laid with SAPS
- TR: Transferred to receivables for recovery
- P: Paid or in process of paying in instalments
- WO: Written-off by council as irrecoverable

FINANCIAL MANAGEMENT THROUGH DISCIPLINARY AND CRIMINAL PROCEEDINGS

(Approved by Council on 30 May 2018 )

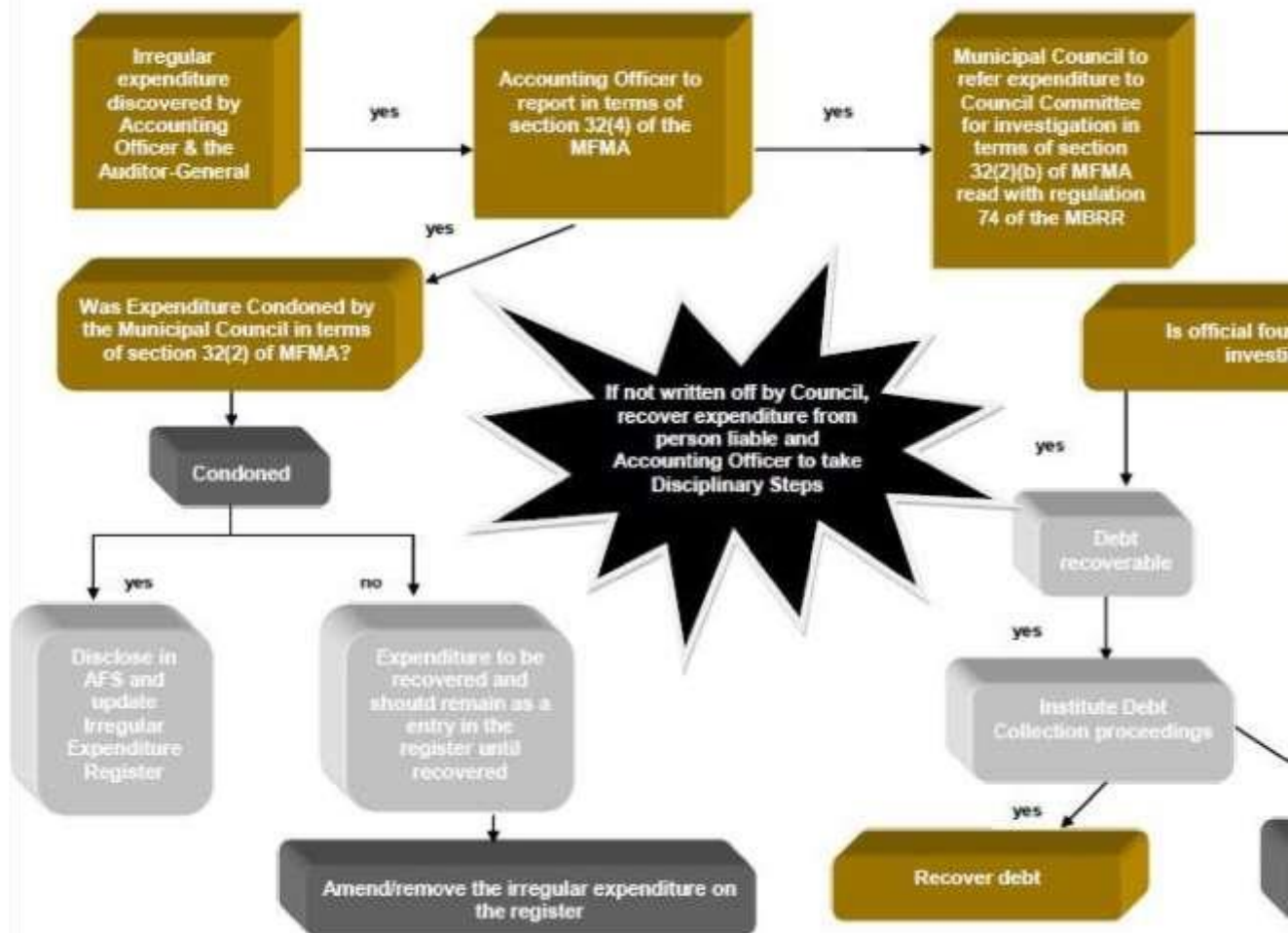


FINANCIAL MANAGEMENT THROUGH DISCIPLINARY AND CRIMINAL PROCEEDINGS

(Approved by Council on 30 May 2018)

## IRREGULAR EXPENDITURE

## STEP BY STEP PROCESS

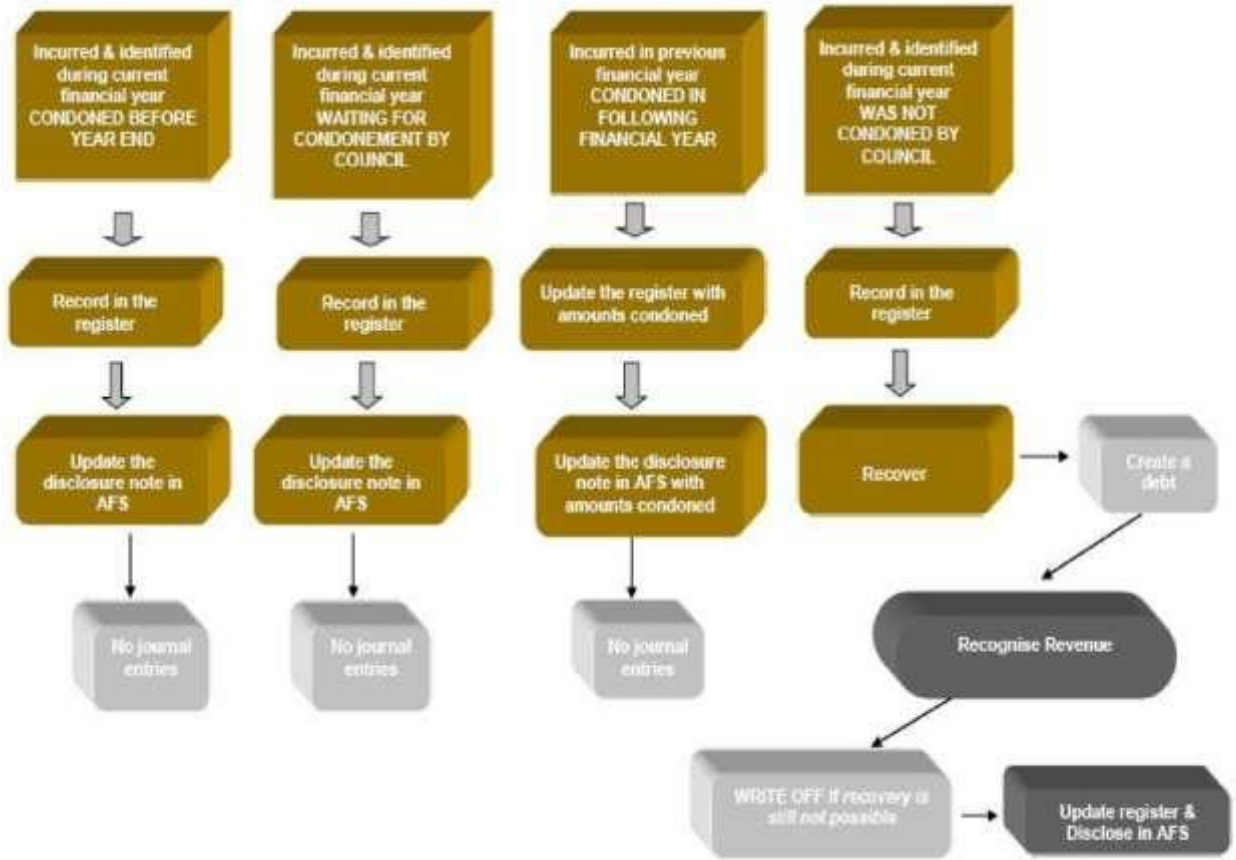


## FINANCIAL MANAGEMENT THROUGH DISCIPLINARY AND CRIMINAL PROCEEDINGS

(Approved by Council on 30 May 2018 )

IRREGULAR EXPENDITURE - ACCOUNTING FRAMEWORK

ANNEXURE D



**PROPERTY RATES POLICY**  
**(Approved by Council on 30 May 2019)**

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**THEMBELIHLE**

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

## INTRODUCTION

1.1 The Local Government: Municipal Property Rates Act (2004) requires THEMBELIHLE MUNICIPALITY to develop and adopt a rates policy consistent with the Act on levying of rates on rateable property in the municipality.

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

The Constitution enjoins 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;

Revenues derived from property rates represent a critical source of income for municipalities to achieve 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.

1.3 In applying its rates policy, the Council shall adhere to all requirements of the Property Rates Act, 2004 (Act no. 6 of 2004) including any regulations promulgated in terms of the Act.

## DEFINITIONS

2.1 In this Policy, a word or expression derived from a word or expression defined in this subsection has a corresponding meaning unless the context indicates that another meaning is intended:

**“agent”**, in relation to the owner of a property, means a person appointed by the owner of the property—

(a) to receive rental or other payments in respect of the property on behalf of the owner; or

(b) to make payments in respect of the property on behalf of the owner;

**“agricultural purpose”**, in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game; **“annually”** means once every financial year;

**“appeal board”** means a valuation appeal board established in terms of section 56;

**“assistant municipal valuer”** means a person designated as an assistant municipal valuer in terms of section 35(1) or (2);

**“category”** —

(a) in relation to property, means a category of properties determined in terms of section; and

(b) in relation to owners of properties, means a category of owners determined in terms of section 15(2);

**“data-collector”** means a person designated as a data-collector in terms of section 36;

**“date of valuation”** means the date determined by a municipality in terms of section 31(1);

**“district management area”** means a part of a district municipality which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone;

**“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;

**“effective date”**—

(a) in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1); or

(b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b);

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

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

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

**“Income Tax Act”** means the Income Tax Act, 1962 (Act No. 58 of 1962); **“land reform beneficiary”**, in relation to a property, means a person who— (a) acquired the property through—

(i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or

(ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

(b) holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); 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;

(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; and

(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;

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

**“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;

**“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 No. 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 No. 27 of 1998); the THEMBELIHLE MUNICIPALITY.

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

**“municipal valuer”** or **“valuer of a municipality”** means a person designated as a municipal valuer in terms of section 33(1);

**“newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding—

(a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and

(b) a property identified by the Minister by notice in the *Gazette* where the phasing-in of a rate is not justified;

**“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;

**“organ of state”** means an organ of state as defined in section 239 of the Constitution;

**“owner”—**

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”,

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

- (i) A trustee, in the case of a property in a trust excluding state trust land;
- (ii) an executor or administrator, in the case of a property in a deceased estate;
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
- (v) a curator, in the case of a property in the estate of a person under curator ship;
- (vi) a 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 by a municipality 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 state;

**“prescribe”** means prescribe by regulation in terms of section 83;

**“property”** means—

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

(d) public service infrastructure;

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

**“protected area”** means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act;

**“Protected Areas Act”** means the National Environmental Management: Protected Areas Act, 2003;

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

(a) a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999);

(b) a municipality; or

(c) a municipal entity as defined in the Municipal Systems Act;

**“public service infrastructure”** means publicly controlled infrastructure of the following kinds:

(a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;

(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;

(c) power stations, power substations or power lines forming part of an electricity scheme serving the public;

(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

(e) railway lines forming part of a national railway system;

(f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;

(g) runways or aprons at national or provincial airports;

(h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;

(i) any other publicly controlled infrastructure as may be prescribed; or

(j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

**“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 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17;

**“rebate”**, in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;

**“reduction”**, in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;

**“register”**—

(a) means to record in a register in terms of—

(i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or

(ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and

(b) includes any other formal act in terms of any other legislation to record—

(i) a right to use land for or in connection with mining purposes; or

(ii) a land tenure right;

**“residential property”** means a property included in a valuation roll in terms of section 48 (2) (b) as residential;

**“Sectional Titles Act”** means the Sectional Titles Act, 1986 (Act No. 95 of 1986);

**“sectional title scheme”** means a scheme defined in section 1 of the Sectional Titles Act;

**“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 trust land”** means land owned by the state—

(a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;

(b) over which land tenure rights were registered or granted; or

(c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

**“this Act”** includes regulations made in terms of section 83.

## **ADOPTION AND CONTENTS OF RATES POLICY**

3.1 The THEMBELIHLE MUNICIPALITY will adopt a policy on levying rates on rateable property in the THEMBELIHLE municipal area.

3.2 The rates policy shall: treat persons liable for rates equitably; determine the criteria to be applied by the municipality if it – levies different categories of properties; exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment on their properties; grants to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties; or increases rates;

determine, or provide criteria for the determination of – categories of properties for the purpose of levying different rates as contemplated in paragraph (b)(i); and categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions as contemplated in paragraph

(b)(ii) or (iii);

determine how the municipality's powers in terms of section 9(1) must be exercised in relation to properties used for multiple purposes; identify and quantify in terms of cost to the municipality and any benefit to the local

community—

exemptions, rebates and reductions; exclusions referred to in section 17(1)(a),(e),(g), (h) and (i) of the Act; and rates on properties that must be phased in, in terms of section 21 of the Act; take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them; take into account the effect of rates on organisations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because

of those activities, in the case of property owned and used by such organisations for those activities; take into account the effect of rates on public service infrastructure; allow the municipality to promote local, social and economic development; and identify, on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of section 7(2)(a) of the Act.

3.3 Any exemptions, rebates or reductions referred to in subsection (3) and provided for in a rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organised local government.

3.4 Council may not grant relief in respect of the payment of a rate – to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its rates policy and granted in terms of section 15 of the Act; or

to the owners of properties on an individual basis.

## LEVYING OF RATES

### 4.1 Rates payable

The THEMBELIHLE MUNICIPALITY shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll.

Rates to be levied on all rateable property

THEMBELIHLE MUNICIPALITY may levy rates on all rateable property in its area. Section 7(1) of the Act does not--

- (a) oblige the municipality to levy rates on— properties of which that municipality is the owner; public service infrastructure owned by a municipal entity; properties referred to in paragraph (b) of the definition of “property” in section 1 of the Act; or properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices; or
- (b) prevent a municipality from granting in terms of section 15 exemptions from, rebates on or reductions in rates levied in terms of subsection 4.1 of this policy. Differential rates
  - (1) Subject to section 19 of the Act, a municipality may levy rates for different categories of rateable property, which may include categories determined according to the— use of the property; permitted use of the property; or geographical area in which the property is situated.
  - (2) Categories of rateable property may include the following:
    - residential properties; industrial properties; business and commercial properties; farm properties used for— agricultural purposes; other business and commercial purposes; residential purposes; or purpose other than those specified in subparagraphs (i) to (iii);
    - farm properties not used for any purpose; smallholdings used for— agricultural purposes; residential purposes; industrial purposes; business and commercial

purposes; or purposes other than those specified in subparagraphs (i) to (iv); state-owned properties; municipal properties; public service infrastructure; privately owned towns serviced by the owner; formal and informal settlements; communal land as defined in section 1 of the Communal Land Rights Act, 2004; state trust land; protected areas; properties on which national monuments are proclaimed; properties owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act; or properties used for multiple purposes.

Rates on properties used for multiple purposes will be levied on properties used for:

- a) a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated.
- b) a purpose corresponding with the dominant use of the property; or
- c) by apportioning the market value of the property to the different purposes for which the property is used; and
- d) applying the relevant cent amount in the Rand to the corresponding apportioned market value.

Levying of rates on property in sectional title schemes

A rate on a property which is subject to a sectional title scheme will be levied on the body corporate for the current valuation roll or supplementary valuation roll. With the implementation of the new valuation roll, a rate on a property which is subject to a sectional title scheme will be levied on the individual sectional title units in the scheme and not on the property as a whole. This does not apply in respect of rates levied against a valuation roll or supplementary roll prepared before the effective date of the first valuation roll as prepared in terms of the Act. This process will be phased in over a period of four years counting from the date of implementation of the Property Rates Act 2004, (Act no. 6 of 2004).

Period for which rates may be levied

THEMBELIHLE MUNICIPALITY will levy the rate for a financial year. The levying of rates forms part of this municipality's annual budget process as set out in Chapter 4 of the Municipal Finance Management Act. Exemptions, reductions and rebates

- (a) In imposing the rate in the rand for each annual operating budget component, the council shall grant the following exemptions, rebates and reductions to the categories of properties and categories of owners indicated below, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular budget so dictate.



- (b) In determining whether a property forms part of a particular category indicated below, the council shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated below, the permitted use of the property shall determine into which category it falls.
  
- (c) Such exemptions, reductions and rebates must be indicated in the tariff and rate schedule approved by the council annually.

### Exemptions

The following categories of owners of properties may be exempted from payment of a rate on their properties:

properties on which national monuments are situated, and where no business or commercial activities are conducted in respect of such monuments;

properties owned by public benefit (welfare/humanitarian) organisations and used to further the objectives of such organisations; or

- (iii) properties of which the Municipality is the owner;
- (iv) public service infrastructure owned by the Municipality;
- (v) properties in respect of which it is impossible or unreasonable difficult to establish a market value because of legally insecure tenure attributable to past racially discriminatory laws or practices;

Council may in terms of the Municipal Property Rates Act, 2004, identify other properties to be exempted from payment of a rate.

### Reductions and rebates

Reductions and rebates on rates may be granted to the following categories of owners of properties:

indigent owners; owners dependant on pensions or social grants

for their livelihood; owners temporarily without income; owners of property situated within an area affected by—

- (i) a disaster within the meaning of the Disaster Management Act, 2002(Act No. 57 of 2002); or

(ii) any other serious adverse social or economic conditions;

(e) owners of residential properties with a market value lower than an amount determined by council; properties on which national monuments are situated, but where business or commercial activities are conducted in respect of such monuments; agricultural properties, but the following criteria has to be applied by Council in respect of such rebates:

- (i) the extent of services provided by Council in respect of such properties;
- (ii) the contribution of agriculture to the local economy;
- (iii) the extent to which agriculture assists in meeting the service delivery and development obligations of the council; and
- (iv) the contribution of agriculture to the social and economic welfare of farm workers;

state-owned properties; or  
formal and informal settlements.

#### Other impermissible rates

- (a) Council may not levy a rate:
  - (i) on the first 30% of the market value of public service infrastructure with effect from the implementation of the valuation roll compiled in terms of this Act;
  - (ii) on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, agricultural or residential purposes;
  - (iii) on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship with effect from the implementation of the valuation roll compiled in terms of this Act;
- (b) In addition to the foregoing, and as from 1 JULY 2015, the first R15 000 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from payment of rates in terms of Section 17(1)(h) of the Property Rates Act.

- (c) In respect of indigents' property rates, the rebate shall be 100% of the rates based on the rateable value up to R60 000 and 75% of the rates based on the rateable value above R60 000.

#### 4.8 Reporting

- (a) The municipal manager must annually table in the Council:
  - (i) a list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
  - (ii) a statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates.
- (b) All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

#### 4.9 Limits on annual increases of rates

Council shall, in imposing the rate for each financial year, revert to the requirements of Section 20 of the Act.

## **LIABILITY FOR RATES**

### Method and time of payment

THEMBELIHLE MUNICIPALITY shall recover rates on a monthly basis, calculated in 12 equal monthly instalments, payable on/or before due date as depicted on the monthly statement. Council can recover a rate annually, as may be agreed to with the owner of that property, and will be payable on or before 30 September of that current year.

### Accounts to be furnished

5.2.1 THEMBELIHLE MUNICIPALITY shall furnish each person liable for the payment of a rate with a written account specifying— (a) the amount due for rates payable;

- (b) the date on or before which the amount is payable;
- (c) how the amount was calculated;
- (d) the market value of the property;
- (e) if the property is subject to any compulsory phasing-in discount in terms of section 21 of the Act, the amount of the discount.

5.2.2 An owner is liable for payment of a rate whether or not that person has received a written account. The furnishing of accounts for rates in terms of this section is subject to section 102 of the Municipal Systems Act.

#### Recovery of rates in arrears from tenants, occupiers and agents

5.3.1 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, council may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. An amount may only be recovered after council has served a written notice on the tenant or occupier.

5.3.2 The amount that council may recover from the tenant or occupier of the property is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property. Any amount council recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owned by the tenant or occupier to the owner.

5.3.3 The tenant or occupier of a property must, on request by council, furnish council with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by council.

5.3.4 Council may, despite the Estate Agents Affairs Act, 1976 (Act No. 112 of 1976), recover the amount due for rates on a property in whole or in part from the agent of the owner, but only after council has served a written notice to this effect, on the agent.

5.3.5 The amount council can recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.

5.3.6 The agent must, on request by council, furnish council with a written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by council.

#### Amendment of rates

- (a) The policy will be phased in over a period of three (3) years and the municipality shall not distinguish between the differences in levying rates on the market value of land and improvements respectively in this period.
- (b) Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the

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

## **GENERAL VALUATION OF RATEABLE PROPERTY**

### 6.1 Frequency of valuations

THEMBELIHLE MUNICIPALITY shall prepare a new valuation roll every 4 (four) years and supplementary valuation rolls at least every 12 (twelve) months.

#### Designation of municipal valuer

Council must, before the date of valuation, designate a person as municipal valuer. An open, competitive and transparent process in accordance with Chapter 11 of the Municipal Finance Management Act will be followed in appointing said valuer.

#### Valuation

Property must be valued in accordance with generally recognised valuation practices, methods and standards, and the provisions of the Act.

#### Sebata System

The Sebata computer program is in use at THEMBELIHLE MUNICIPALITY to assist in the valuation process. This computer program uses property data as it occurs on council's financial database. After data was collected during physical inspection of the properties and captured into the Sebata program, properties are electronically valued. Information applicable to management is now available. The valuation roll is then printed and available for public inspection. Notices are generated by the system for delivery to the property owners. After completion of the valuation process, the information is electronically transferred to council's financial database.

#### Interim valuation debits

When property is transferred to a new owner and a supplementary valuation is conducted at the same time, council shall hold the previous as well as the new owner, jointly and severally liable for the amount due in respect of the interim account.

#### Clearance certificate

- (a) A rates clearance certificate will be issued in terms of Section 118 of the Local Government: Municipal Systems Act, 2000, Act No. 32 of 2000, and will be valid till 30 June, following the date of application received.

- (b) If an amount liable for rates levied in respect of a property which formed part of a Municipal Housing Scheme, is unpaid by the owner and the property needs to be transferred, a rates clearance certificate will only be issued upon payment of the current account and after completion of an agreement for any municipal services in arrears, subject to Council's Credit Control and Debt Collecting Policy.

Transfers affected may be one of the following:

- (i) Transfer of a property from the THEMBELIHLE MUNICIPALITY to the new owner;
- (ii) Transfer of a property from one spouse to the other;
- (iii) Transfer of a property from the owner (parent) to a child.

## **BY-LAWS**

7.1 The principle contained in this policy will be reflected in the various by-laws as promulgated and adjusted by Council from time to time.

# THEMBELIHLE

LOCAL MUNICIPALITY  
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## RECRUITMENT SELECTION AND INDUCTION POLICY

# **THEMBELIHLE LOCAL MUNICIPALITY**

## **RECRUITMENT SELECTION AND INDUCTION POLICY.**

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## **POLICY STATEMENT**



It is believed that Human Resources is our most important asset and guarantee for an effective organization. To this end we strive in our provisioning efforts to attract the most suitable candidates for appointment in accordance with the functional needs of Council.

We are committed to create and maintain a diverse workforce in pursuance of

Employment Equity and establishing a sound human resources management function.

## **POLICY OBJECTIVES**

The objective of the Recruitment, Selection and Induction Policy for Thembelihle Local Municipality is to provide for a comprehensive policy with accommodates the needs for staff provisioning in the most efficient, professional and cost-effective way as to the effect that:

- No unfair discrimination practices exist in the provisioning discipline of Council;
- Such policy contributes and enhances a diverse culture and environment whereby all staff can contribute to the goals of Council and where such staff make-up is representative of the demographics environment of the area it serves.
- Introduction of fair and objective principles and procedures for that staffing of the employer.
- Provision of guidelines for the appointment of candidates to the employer.
- Establishing principles and procedures ensuring that the Employer complies with legislative principles in respect of employment equity and affirmative action.
- Setting out the procedural steps for the advertisement of a vacant post, the selection of applicants for interviews, the conducting of interviews and the appointment of candidates to the permanent staff of the employer.

## **INTENT**

To ensure personnel provisioning that accommodates a comprehensive process which is a result of an agreement reached between all stakeholders concerned the Policy should be inclusive of the following processes:

- Recruitment procedure
- Selection procedure
- Advertisement procedure
- Interviewing procedure
- Qualification and experience requirements
- Induction of new employees

## **FOUNDATIONAL PRINCIPLES**

- The staffing policy and its implementation will be fundamentally aimed at matching the human resources to the strategic and operational needs of the Employer and ensuring the full utilization and continued development of these employees.
- Each appointment must be rationally and objectively justifiable by references to the strategic and operational needs of the Employer
- The responsibility for the Employer is to determine the strategic and operational needs of the Employer and the relevant reporting and management structures of the organization.
- All aspects will be non-discriminatory and will afford applicants equal opportunity to complete for vacant positions. Except as provided in this policy with reference to affirmative action and employment equity.
- With reference to the Constitution of South Africa, act 108 of 1996 as amended and the provisions of **Chapter II** of the Employment Equity Act, 55 of 1998, under no circumstances should any person be refused employment on any arbitrary or discriminatory basis, including but not limited to race, gender, sex, pregnancy. Marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief and/or opinion.
- Thembelihle Local Municipality is an employment equity employer and as such, preference will be given to suitably qualified candidates who are members of designated groups as defined in section 1 of the Employment Equity Act of 1998 as consisting of black people, women and people with disabilities.

## **EMPLOYMENT EQUITY AND AFFIRMATIVE ACTION**

### **Elimination of unfair discrimination:**

- Thembelihle Local Municipality shall take steps to promote equal opportunity in the workplace by eliminating unfair discrimination in any employment policy or practice.
- It is affirmed that it will not constitute unfair discrimination to take affirmative action measures consistent with the purposes of the Employment Equity Act of 1998 as set out in this policy or to distinguish, exclude or prefer any person on the basis of an essential requirement of any job.
- Harassment of an employee, including sexual harassment of any form, constitutes unfair discrimination and such harassment will attract disciplinary action against any employee found to have committed harassment.

### **Applications of the Employment Equity Act of 1998:**

As a defined “designated employer” in terms of section 1 of the Employment Equity Act of 1998, and as such the provisions of Chapter 3 of the Employment Equity Act are directly applicable to the Employer.

### **Affirmative action:**

- As a designated employer Thembelihle Local Municipality must, in order to achieve employment equity, implement affirmative action measures for people from designated groups as defined in section 1 of the Employment Equity Act of 1998. “Designated groups” means black people with disabilities and “black people” is defined in the Employment Equity Act as a generic term meaning Africans, Coloureds and Indians.
- Affirmative action measures are measures designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of the employer.
- Affirmative action measures include, but are not limited to the following:
  - a) Measures to identify and eliminate employment barriers, including unfair discrimination, which adversely affect people from designated groups; b) Measures designed to further diversity in the workplace based on equal dignity and respect of all people;
  - c) Making reasonable accommodation for people from designated groups in order to ensure that they enjoy equal opportunities and are equitably represented in the workforce of the Employer;
  - d) Measures to ensure the equitable representation of suitably qualified people from designated groups all occupational levels in the workforce of the Employer;
  - e) Measures to retain and develop people from designated groups and to implement appropriate training measure, including measures in terms of the Skills Development Act of 1998.
- No provision in this policy should be construed as requiring the Employer to take any decision concerning an employment policy or practice that would establish an absolute barrier to the prospective or continued employment or advancement of people who are not from designated groups. This includes, but is not limited to, any decision relating to the termination of employment of any employee of the Employer for reasons not relating to the conduct or capacity of the employee or the operational requirements of the employer in terms of the provisions of Chapter VIII of the Labour Relation Act of 1995, as amended.

**Other steps:**

- As employer, Thembelihle Local Municipality must take reasonable steps to consult and reach agreement on matters listed in section 17 of the Employment Equity Act with its employees or representatives nominated by the employees, subject to the provision of section 16 of the Employment Equity Act of 1998.
- Thembelihle Local Municipality must prepare and implement an employment equity plan, which will achieve reasonable progress towards employment equity in the Employer’s workforce and such plan shall contain, at the very least, the information listed in section 20(2) of the Employment Equity Act of 1998.

- Thembelihle Local Municipality shall comply with the provisions of section 21( reporting to the Department of labour), section 23( preparation of successive employment equity plans) and all other provisions of the Employment Equity Act of 1998.

**Accountability:**

The responsibility for taking affirmative action measures and assuring compliance with the provisions of the Employment Equity act of 1998 is upon the Municipal Manager.

## **RECRUITMENT AND SELECTION**

### ***Recruitment***

**Pre-recruitment requirements:**

To enable Council timeously to recruit the higher caliber of person in the shortest period of time in the most cost-effective manner, the following processes should be adhered to:

### **Council/Municipal Manager**

To enable Council or the Municipal Manger to approve any appointment either directly or by means of delegated powers, the following documents should be in place:

- An approved organogram
- An approved staff budget
- Approved qualification/skills and experience requirements
- A Recruitment and Selection Policy

### **Department Corporate Services: Human Resources**

The following documentations are needed before the Department may start the recruitment process:

- An approved organogram
- An approved job description
- A council resolution or delegation authority to fill a vacancy
- Approved qualification/skills and experience requirements
- A fully completed personnel requisition form
- A recruitment and Selection Policy

**Human Resources must ensure that:**

- All relevant documentation has been received.
- All necessary documents have been clearly authorized according to the delegated powers
- Job description, job levels, qualification and experience requirements are correctly stated.
- Salary scales are correctly indicated.
- Vacancy has been noted on the computer/administrative system.
- All appointments are made in accordance with the target setting in terms of the employment Equity Act.

## **General Manager/Chief Financial Officer**

- An approved job description
- An approved staff budget
- Existing vacancy
- A Recruitment and Selection Policy
- A fully completed personnel requisition form

### ***Recruitment Advertisement***

- Drafting of Advertisement: The information as referred to above shall form the basis for the advertisement and all advertisements shall clearly state the relevant job level, qualification and experience requirements, as well as application procedures together with closing dates for the receipt of application.
- Advertisements for positions on levels 9 to 19 shall first be placed internally in order to promote upward mobility of employees
- External advertisements for positions on level 9 to 19 shall only be placed in appropriate media if no appointment could be made after the internal recruitment drive.
- All advertisements shall be circulated internally by placement on designated notice boards.
- External advertisements shall be placed in appropriate media, ensuring maximum access to applicants
- The organizational targets, inter alia, shall determine whether recruitment activities are internal or external or both
- The service of external employment/personnel agencies may be utilized for recruitment purposes. The selection of such agencies will comply with the Supply Chain Management Policy.

### **6.3 Selection**

## **General Principle's governing selection**

- Selection criteria shall be objective and related to the essential requirement of the job and realistic future needs of the Municipality.
- The central guiding principle for selection shall be competence in relation to the essential requirements of the job provided that selection shall, favour, as determined by the target, suitable qualified as defined in Section 20(30 of the Employment Equity Act.
- Unless formal or statutory qualifications are clearly justified as essential for the job relevant experience/performance, training (internal/external as reflected and measured through competencies, and potential for the prospective vacancy, shall be an important criterion.
- Canvassing by job applicants or any other person on behalf of job applicants, for the post within the Council's service is prohibited and evidence thereof will disqualify the applicant's application for consideration for appointment.
- Deviation from academic requirement may not be accepted where legal requirement should be met and after placement for appointment.
- All applications should be in the possession of Human resources before or on the closing date, and the record of such application forms shall be maintained by Human Resources.
- Application forms should be signed by the applicant personally
- Any misrepresentation or untruth will lead to the disqualification of that application

## **ASSESSMENT METHODOLOGY**

The Municipality will only make use of assessment techniques which:

- a) Have been shown to be valid and reliable,
  - b) Can be applied fairly to all employees,
  - c) Are not biased against any employee or group?
- All parties will uphold the strictest confidentiality in respect of any information supplied.
  - The assessment process is an integral process and the final decision shall be based on the result of the whole process.
  - The Human resources function is responsible for ensuring the integrity of the assessment process and the use and the application assessment techniques.
  - Medical testing will only be utilized if required or permitted by the legislation or it is justified in the light of medical facts with regards to the essential requirements of the job.

## **Competence based interviews**

- All interviews will be structured interviews with the same questions posed to all the applicants interviewing for a specific vacancy. When determining the successful candidate, the interview panel should endeavor to reach consensus on the successful applicant. If no consensus is reached, the ruling of the Municipal Manager would be final.
- Any member of the interview panel is required to withdraw from the interview panel should they have a personal interests or bias in regard to any of the applicants.

#### **Other assessments-**

### **Competency or psychometric testing**

All posts at Top and senior Management will be subjected to a competency or psychometric test in order to ascertain the competency level of the preferred candidate to the post. The results of the exercise will be consolidated with the results of the interview session in order to recommend a suitable candidate for appointment in the post.

### **Job related tests**

Job related and other similar assessments of an employee are permissible if the test or assessment being used:

- a) Can be applied fairly to all employees.
- b) Is not biased against any employee or group.
- c) Agreement should be reached between all stakeholders if and what testing to be conducted PRIOR to applicants being interviewed, e.g. testing for driver's positions.

### **Nepotism**

A definition of nepotism is "undue favouritism". One can also define nepotism as the preferred option in candidate selection during the recruitment process, because the candidate is a relative or personal friend of the person making such an appointment.

### **Principles to be adhered to**

- Family, friends and relatives may still apply for positions, but that the representatives on the selection panel should declare their interest and excuse themselves when family, friends and relatives are considered for appointment.

- A further guidance is that Council should try to avoid placing in the same Department.



- That the status quo remains regarding family and members who are presently employed by Council
- That the spirit of the Code of Good conduct be adhered to.
- Family members must be indicated on the application form and failure to do so lead to disciplinary measurements being taken.

## **Reference checking**

- Only reference as provided by the applicant will be contacted. Under the following circumstances the lack of a reference shall be used to disqualify an applicant:
  - Application has had no previous experience; and
  - The current employer is the only source of reference
- No reference checking will be conducted on an applicant before an interview is conducted, but pre-screening to validate information on the Curriculum Vitae may be conducted in essential requirement of the job.
- The reference shall be based on the essential requirements of the job and be conducted in a structured format by Human Resources and Line Management in consultation with Human Resources.
- All rating of candidates against the identified competencies, to be done on the basis of a standardized methodology and the selection panel to be trained in such methodology.

## **Vetting**

- Shortlisted candidates will be subjected to a personnel vetting process as and when required by Thembelihle Local Municipality.
- Notice of personnel vetting will be included in the recruitment advertisement when required.
- All qualifications of the successful candidates will be verified before the final offer of employment is made.

## **Probation**

- Council recognizes that new employees will need a period of time to become familiar with the organization and to progress toward competing in their position.
- The purpose of the probation period orientation guidance, on the job training and coaching to the new position. This period is also the final and critical phase of the selection process that will provide to evaluate the hiring decision. To do this effectively, the supervisor/manager will be required to regularly monitor, measure and review the new employee's level of performance during the probation period.

- During this time the new employee will be evaluating and adjusting to his/her new position and work environment to determine if expectation is being met and assessing his/her overall fit to the organization and its mission, fundamental principles and values.
- Council may appoint a permanent employee on probation for a fixed period not exceeding six months, subject to the following conditions:
  - If council of the opinion that such employee has successfully completed his/her probationary period, Council shall confirm such employee's appointment in writing.
  - If Council, on or before the date of completion of the probation period of such employee, is of the opinion that he/she is not fit for the post occupied by him, Council May
    - In writing and stating the reasons therefore, extend the probationary period of such employee once only for a fixed period not exceeding six months; or
    - Give such employee at least one working month's written notice that his/her services will be terminated on a specific date: Provided that a fair procedure has been followed.

## **Feedback to candidates**

- Human Resources will on request, be provided feedback to unsuccessful candidates for career development purposes.
- All applicants for advertised posts will be informed in writing of the outcome of the selection process in regard to their application.
- The Human Resource Practitioner informs the successful candidates and makes a verbal employment offer (remuneration, benefits, commencement date).
- All person appointed to the organization accept the appointment by way of signing the employment contract prior to commencement of duties.
- The Human Resource Practitioner informs the unsuccessful short listed candidates within five working days of the appointment being authorized.
- Enquiries from unsuccessful candidates are dealt with by the Human Resources Practitioner in conjunction with line Management.
- In the case of selection process for level 1 to 4 candidates, the Municipal Manager or his/her nominee will inform the successful and unsuccessful

candidates of the outcome of the process. Once the employment contract has been signed, human Resources will take over the management of the relevant Human Resources processes for appointment.

## INDUCTION

- All newly appointed employees will participate in the Organisation's Induction Process.
- Existing employees may go through a process of re-induction.

## TEMPORARY EMPLOYEES

- One should distinguish between temporary staff and casual employment. CASUAL EMPLOYMENT refers to an ad hoc request for additional staff is not indicated on the organogram or positions which are occupied for a specific period. The status quo is to remain for these appointments. This refers to the General Manager employing the most suitable applicants which is readily available in the shortest period of time. No target settings need to be accommodates for these appointments. Examples of appointments of this nature are Students and replacements for employees who are readily not available at work for a longer period.
- TEMPORARY EMPLOYMENT refers to the situation where an individual is appointed in a position reflected on the Organogram of the Council with the intention to fill the vacancy at some stage in the future. The purpose behind the under-mentioned procedure is to eliminate any unfair advantage that a temporary employee may have when the position is filled on a permanent basis.
- The use of temporary personnel should be discouraged if and where possible. Temporary personnel should only be used to alleviate seasonal or temporary additional workload that cannot be accomplished with normal staff structures.
- The following procedure for filling of temporary positions is set:
  - **Step 1:** A personnel requisition form is to be completed by the relevant department and sent to the senior Manager: Human Resource for finalization. As the appointment of temporary staff often advantage the incumbent when the position is filled on a permanent basis, the applicable occupational categories as per target setting in terms of the

approved Employment Equity Plan should be adhered to.

- **Step 2:** An internal advertisement is to be placed inviting applicants through Council employees to apply for temporary appointments. If the appointment is of an urgent nature, the Municipal Manager may authorize the use of an employment agency, who should be requested to utilize employees from the local geographic area.

- **Step 3:** Interviews for the appointment of temporary personnel may be conducted by the Director or a nominee in the presence of Human Resources representative.
- **Step 4:** Human Resources must enter into a contractual agreement with each temporary appointed person or employment agency.

**Note:** As a guideline, temporary appointments should not exceed 3 months. However, departments must motivate the extension of the contract in writing to the General Manager: Corporate Services in the event that workload is still outstanding.

## **PAYMENT OF TRAVELLING AND ACCOMMODATION COSTS**

**10.1** Payment for travelling and accommodation costs will be dealt with in terms of the existing Subsistence and Travelling Policy of Council which may be amended from time to time. Applicant in a given set of facts, should be used to ensure compliance.

**10.2** Only once the Applicant has complied with such conditions of approval, whether it be in terms of an agreed phasing or the entire development, should the further approvals or clearances as may be required be given by the municipal decision-makers concerned.

## **REVIEW**

This policy document, as well as the reports and calculations methods, will need to be reviewed periodically to ensure that they are suitably adapted to meet any new statutory and integrated planning requirements and provide for the recovery of cost increases relating to the provision of engineering services.

**SUPPLY CHAIN MANAGEMENT POLICY**  
**(Approved by council on 30 May 2019)**

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# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the Thembelihle local municipality.

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### ***Part 3: Logistics, Disposal, Risk and Performance Management***

39. Logistics management
40. Disposal management
41. Risk management
42. Performance management

### ***Part 4: Other matters***

43. Prohibition on awards to persons whose tax matters are not in order
44. Prohibition on awards to persons in the service of the state
45. Awards to close family members of persons in the service of the state
46. Ethical standards
47. Inducements, rewards, gifts and favors
48. Sponsorships
49. Objections and complaints
50. Resolution of disputes, objections, complaints and queries
51. Contracts providing for compensation based on turnover

### ***Definitions***

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

**“Accounting officer”** means the Accounting Officer referred to in section 60 of the Municipal Finance Management Act, No. 56 of 2003, and include a person acting as the accounting officer.

**“accredited”** means goods / services that are officially recognized, are generally accepted or having a guaranteed quality.

**“Accredited Agent”** means a provider who is authorized to deliver certain goods / services and can be trading in a specific area, however, an accredited agent is not a sole provider.

**“black people”**; is as generic term which means Africans, Coloureds and Indians as defined in the Broad-Based Black Empowerment Act (No. 53 of 2003);

**“competitive bid”** means a bid in terms of a competitive bidding process;

**“Council”**; means the Council of Thembelihle Local Municipality;

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



**“exceptional / urgent cases”** exceptional cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. However, a lack of proper planning should not be constituted as an urgent case subject to the approval of the Accounting Officer. The nature of the urgency and the details of the justifiable procurement must be recorded.

**“Exempted Micro Enterprise”** [EME’s] Enterprises with an annual total revenue of R5 million or less [all taxes included] for goods and services. Sector charters have been developed for the Tourism and Construction industry where thresholds of Rand 2.5 million and Rand 1.5 million respectively have been established.

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

**“formal written price quotation”** means quotations referred to in paragraph 12 (1) (c) of this Policy;

**“Fruitless expenditure”** - expenditure made in vain and could have been avoided if reasonable care taken;

**“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) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

**“Irregular expenditure”** - expenditure incurred that is not in accordance with a requirement of a SCM policy of the municipality or by-laws giving effect to such a policy/e.g. Unsolicited bids

**“long term contract”** means a contract with a duration period exceeding one year;

**“list of accredited prospective providers”** means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

**“municipality”** means the Thembelihle Local Municipality.

**“municipal entity”** has the meaning assigned to it by section1 of the Municipal Systems Act, 2000.

**“other applicable legislation”** means any other legislation applicable to municipal supply chain management, including –

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

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

**“sole provider”** means provider of specialized or exclusive goods / services who has a sole distribution / patent / manufacturing rights and copyrights.

**“Transversal contract”** means a contract arranged for more than one department/municipality or for more than one level of government eg. National and Provincial Government.

**“Treasury guidelines”** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

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

**“the Regulations”** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

**“written or verbal quotations”** means quotations referred to in paragraph 12(1) (b) of this Policy.

## **CHAPTER 1**

### ***IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT***

#### ***POLICY Supply chain management policy***

2. (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that – (a) gives effect to –

(i) section 217 of the Constitution; and

(ii) Part 1 of Chapter 11 and other applicable provisions of the Act; (b) is fair, equitable, transparent, competitive and cost effective; (c) complies with –

(i) the Regulations; and

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

(d) is consistent with other applicable legislation;

- Broad Based Black Economic Empowerment Act [B-BBEEA]
  - Corruption Act, 1998 – anti-corruption measures and practices;
  - Competition Law and Regulations
  - Promotion of Administrative Justice Act, 2000
  - National Archives of South Africa Act, 1996
  - National Small Business Act
  - Construction Industry Development Board Act, 2000 [Act no 38 of 2000].
- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) This Policy applies when the municipality\_–

- (a) procures goods or services;
- (b) disposes goods no longer needed;
- (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal

Systems Act applies;

(3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

(4) Presently the Municipality of Thembelihle experiences a shortage of skills and lack of capacity. It will thus not be possible to implement a fully-fledged SCM unit. However, the municipality will assign specific tasks regarding SCM to place existing staff in the municipality. Those officials will all be issued with a clear job description, code of conduct and financial declarations. All aspects regarding SCM will be assigned to the present staff. As soon as the financial and staff capacity of the municipality increases, the present situation will be revised and every endeavour will be made to establish a fully-fledged SCM unit in the near future.

### ***Amendment of the supply chain management policy***

3. (1) The accounting officer must –
- (a) at least annually review the implementation of this Policy; and
  - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- (2) If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the accounting officer must –
- (a) ensure that such proposed amendments comply with the Regulations; and
  - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

### ***Delegation of supply chain management powers and duties***

4. (1) The Council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - (i) Chapter 8 or 10 of the Act; and
    - (ii) this Policy;
  - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
  - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).

(3) The accounting officer may not subdelegate 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 Thembelihle Local Municipality;

(4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

### ***Sub delegations***

5. (1) The accounting officer may in terms of section 79 or 106 of the

Municipal Finance Management Act, and sections 4 and 5 of the SCM Regulations as well as the Delegation Register; sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub-delegation must be consistent with subparagraph (2) of this paragraph and paragraph (4) of this Policy.

(2) The power to make a final award –

(a) above R10 million (VAT included) may not be sub-delegated by the accounting officer;

(b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

(i) the chief financial officer;

(ii) a senior manager; or

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

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

(i) the chief financial officer;

(ii) a senior manager;

(iii) a manager directly accountable to the chief financial officer or a senior manager;  
or

(iv) a bid adjudication committee.

(3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five days of the end of each

month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including—

- (a) the amount of the award;
- (b) the name of the person to whom the award was made; and
- (c) the reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) must be submitted – (a) to the accounting officer, in the case of an award by –

- (i) the chief financial officer;
- (ii) a senior manager; or
- (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

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

- (i) a manager referred to in subparagraph (2) (c) (iii); or
- (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

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

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

### ***Oversight role of council***

6. (1) Thembelihle Council reserves its right to maintain oversight over the implementation of this Policy.

(2) For the purposes of such oversight the accounting officer must –

(i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the Council of the municipality; and

(ii) 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.

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

### ***Supply chain management unit***

7. (1) A supply chain management unit is hereby established to implement this Policy.

(2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

i) As stated before a fully-fledged SCM unit and all functions regarding SCM will be assigned to present employed staff. This staff will handle these tasks additionally to their present tasks. Clear job descriptions will be issued regarding SCM functions, code of conduct, financial declarations, delegations, etc will also be issued. The municipality will establish a fully-fledged SCM unit as soon as the capacity of the municipality increases to such an extent to justify such steps.

### ***Training of supply chain management officials***

1. The Accounting Officer and all other officials of the municipality involved in the implementation of the SCM Policy must meet the prescribed competency levels in terms of the National Treasury Regulations.
2. The municipality must provide opportunities and resources for training of officials preferred to meet the relevant prescribed supply chain management competency levels.
3. That National and Provincial Treasury or any other accredited body may assist the municipality in the training of officials in meeting the relevant prescribed supply chain management competency levels.

## **CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM**

### ***Format of supply chain management system***

9. This Policy provides systems for –
- (i) demand management;
  - (ii) acquisition management;
  - (iii) logistics management;
  - (iv) asset disposal management;
  - (v) risk management; and
  - (vi) performance management.
  - (vii) asset management

#### ***Part 1: Demand management***

### ***System of demand management***

10. (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –



- (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
- (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
- (c) provide for the compilation of the required specifications to ensure that its needs are met.
- (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (e) The municipality must compile a Procurement Plan containing all planned procurement for the financial year in respect of the procurement of goods, services and infrastructure projects which exceed R 200 000 [all applicable taxes included] per case as described in the Supply Chain Management Guide for Accounting Officers. The procurement plan must be finalized on the 1 July every year. The relevant information should preferably be furnished in the format contained in the Procurement Plan Template enclosed as Annexure A.
- (f) Also refer to National Treasury MFMA Circular 62 and 77.

## ***Part 2: Acquisition management***

### ***System of acquisition management***

**11.** (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –

- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) that the threshold values for the different procurement processes are complied with; (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are as per National and Provincial prescripts [SCM Practice note 2, Explanatory notes: Revised quotation / bid forms]
- (e) that the preference point system used in accordance with the Revised Preferential Procurement Policy Regulations of 7 December 2011 [utilizing B-BBEE status level verification certificates to claim preference points.

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

**Prior to advertisement:**

Verification by the CFO

The senior manager responsible for a vote must submit to the CFO:

- proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
- any ancillary budgetary implications related to the bid;
- any multi -year budgetary implications;

***Prior to the award of a bid***

Contracts above the value of R 10 million [all applicable taxes included] may only be awarded to the preferred bidder after the CFO has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and /or services and that it is consistent with the Integrated Development Plan.

- (h) Publication of awards in respect of advertised competitive bids [above the threshold value of R 200 000]

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

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

(l) Functionality

Adhere to the revised guidelines when functionality is included as a criterion in the evaluation of bids [National Treasury note issued in September 2010].

- Clear indication must be given in bid documents if bids will be evaluated on functionality.
- Evaluation criteria must be objective.
- The weight of each criterion, applicable values and the minimum qualifying score [for each bid on its own merit] must be indicated in the bid documents.

- Bidders failing to achieve the qualifying score for functionality must be disqualified.
- Bidders achieving the minimum qualifying score must be evaluated further in terms of points for price and B-BBEE status level contribution

***Pre –evaluation***

- After closure of the bid pre-evaluation is done to ensure all bidders comply with the prescribed minimum norms and standards, NO TECHNICAL EVALUATION IS DONE AT THIS POINT.
- Bidders are then invited to prepare for a functionality presentation in line with the criteria set out in the bid document on a specific date and provided with a time slot.

Appointment of a functionality committee

- The functionality committee is an ad-hoc committee appointed per bid.
- It should consist out of a cross functional team
- To be included as well:
  - A SCM Practitioner;
  - The end-user;
  - Technical experts;
  - Members of the Bid Evaluation- and Adjudication committees;
  - CFO or a person with knowledge of the available budget from the CFO's office;
- Any other official deemed to be relevant; - Provincial SCM official.
- Each member will complete a score sheet per bidder.
- The totals to be calculated by SCM, an average calculated and only the bidders who scored the minimum qualifying score will be evaluated further.
- Prior to the functionality committee meeting the end-user and the technical experts can sit with all the appointed committee members and peruse each bidder's proposal and draw-up a list of questions for clarification. Each member can add his / her own questions and during the presentations clarify or verify the information presented with relevant questions.

**NOTE: There cannot be two [2] technical evaluation processes, only one done by a duly appointed functionality committee.**

- Functionality evaluation forms part of the formal evaluation processes and is open for legal scrutiny and challenges –therefore it is a formal once off process with proper procedures and score sheets to be completed per committee member for each bidder, duly signed off by the relevant committee member.
- Score sheets form part of a bid and year-end audit by the Auditor –  
General.
- Not following proper processes may lead to expenditure been classified as irregular by the Auditor-General’s office.

(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.

### ***Range of procurement processes***

12. (1) Goods and services may only be procured by way of –

(a) petty cash purchases, up to a transaction value of R2 000 per case (VAT included);

- One quotation will be required
- The supplier is to be selected and will be appointed on rotation basis, provided that items needed, parts or repairs could be supplied immediately.

(b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);

- two written quotations will be required
- The supplier is to be selected and will be appointed on rotation basis, provided that items needed, parts or repairs could be supplied immediately.

(c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included);

- Three formal written quotations are required
- The CFO will appoint the supplier on a rotation basis depending on the urgency and delivery period.
- All requirements in excess of R30 000 must be advertised for at least 7 days on the website and an official notice board of the municipality.

and

(d) a competitive bidding process for–

- (i) procurements above a transaction value of R200 000 (VAT included); and
- (ii) the procurement of long term contracts.

(2) The accounting officer may, in writing–

(a) lower, but not increase, the different threshold values specified in subparagraph (1); or

(b) direct that –

- (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
- (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
- (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

(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.

**4) The following types of transactions are excluded from the normal bid process:**

**(i) Where there are only sole suppliers of a product / service e.g.**

- Eskom
- Bulk water suppliers
- Postage and telephone
- Rail and road transport
- Hopetown Apteek
- Lexis and Nexis
- Hopetown Doctors

**ii) Where prices are fixed or regulated**

- Fuel purchases
- Newspapers and magazines

**iii) Where services / products are subjected to maintenance contracts e.g.**

- Assets under guarantee (Servicing vehicles and machinery)
- Alarm monitoring

**iv) Where the normal bid process is not feasible e.g.**

- Subsistence and travel
- Official lunches
- Annual health examinations for officials
- Stripped (dismantled) machinery requiring a quote for repairs □ Annual licence fees.  
Software & vehicles

**v) Service level Agreements vi) External professional membership**

***institutions within the Local Government***

**sphere: membership fees.**

- IPMSA (Institute of municipal practitioners of SA)
- ILGM ( Institute for Local Government Management in SA)
- IMFO ( Institute for Municipal Financial Officers)
- IMESA ( Institute for municipal engineers of SA)

**5. Please note. The list of transactions will be excluded from the normal bidding processes and may be amended or extended, as and when required.**

**General preconditions for consideration of written quotations or bids**

13. 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; and
  - (iv) original valid tax clearance certificate from the South African Revenue Services.

**(v) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for more than three [3] months;**

Bids/ quotations should only be awarded to suppliers who are not in arrears with their municipal rates and taxes. If the suppliers are not resident in this municipality, but offer their services from any other municipality, the same applies. It should be established if they are not in arrears in their own municipality.

- (vi) requirements for construction and engineering related bids should be awarded according to CIDB regulations;
- (vii) The CIDB Act requires that all projects need to be registered with the CIDB;
- (viii) Before an award is done to a contractor, the contractor's CIDB grading must be confirmed with the CIDB website; (ix) The CIDB grading designation is as follows:

Grading designation	Less than or equal to
1	R 200 000
2	R 650 000
3	R 2 000 000
4	R 4 000 000
5	R 6 500 000

6	R	13 000 000
7	R	40 000 000
8	R	130 000 000
9		No Limit

- (b) has indicated –
- (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
  - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

***Lists of accredited prospective providers***

14. (1) The accounting officer must –
- (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
  - (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers; and
    - (i) ) physical trading address
    - (ii) ownership
    - (iii) goods / services provide a valid updated tax clearance certificate from SARS.
    - (iv) reference of services provided
    - (v) municipal accounts up to date
  - (d) disallow the listing of any prospective provider whose name appears on the National



Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

(4) Utilization of web based National central supplier database.(CSD)

### ***Petty cash purchases***

15. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –

- (a) the approval of petty cash purchases must be pre-approved by the Accounting Officer, who may delegate this authority in writing to the CFO or a departmental head;
- (b) documentary prove must be submitted within 2 working days for all purchases made; and
- (c) a monthly reconciliation report from the CFO/each manager must be provided to the Accounting Officer, including –
  - (i) the total amount of petty cash purchases for that month; and (ii) receipts and appropriate documents for each purchase.

### ***Written or verbal quotations***

16. The procedures for the procurement of goods or services through written or verbal quotations are as follows:

- (a) quotations must be obtained from at least two different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) where no suitable accredited service providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that such service providers meet the listing criteria set out in paragraph 14(1) (b) and (c) of this policy.

- (c) quotations **may** be approved on a rotation basis on the condition that the lowest quotation is still chosen.
- (d) to the extent feasible, providers must be requested to submit such quotations in writing;
- (e) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported **quarterly** to the accounting officer or another official designated by the accounting officer. In such cases the municipality needs to investigate the possibility to utilize the database of the District municipality; and
- (f) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (g) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
- .
- (h) The municipality will investigate and utilize various other options to advertise bids/quotations viz. community boards, the library, public buildings, police station, etc.  
This is to ensure that the municipality tried to obtain at least three quotations.
- (i) In cases where there are only a few suppliers for certain goods / services (such as vehicle repairs) the municipality will use these suppliers on a rotation basis, in order to give everybody a chance. This practice will only be utilized in exceptional cases. As soon as more suppliers become available, such goods / services will be provided via the database.
- (j) **The municipality deviate from the required 3 quotations, due to the geographical location.**

### ***Formal written price quotations***

**17.** (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:

- (a) quotations must be obtained in writing **from** at least three different providers whose names appear on the list of accredited prospective providers of the municipality.
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1) (b) and (c) of this Policy. These suppliers should then be listed before final payments of the supplier are effected.
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer. All efforts should be made to increase the supplier base (regular advertising to register suppliers to utilize the database of the district municipality).

- (d) the Head SCM must record the names of the potential providers and their written quotations.

(2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

### ***Procedures for procuring goods or services through written or verbal quotations and formal written price quotations***

**18.** The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:

- (a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality.

The revised PPPFA prescripts are applicable, e.g. Point system and Status level verification certificates [score cards] must be applied in the adjudication process. Please refer to paragraph 19 [3] for more detail.

- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;
- (e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who's offer is according to specifications, has the ability to deliver and is compliant with all the other requirements and scored the highest points.

(g) Minimum requirements for proper record keeping must be complied with.

**Competitive bids**

19. (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.

(2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

(3) The 80 / 20 principle is applicable; 80 points for price and 20 points for B-BBEE status level verification certificates. The 20 points will be standard as follows;

B-BBEE Status Level of Contributor	Number of points [80 / 20]	Number of points [90/10]
1	20	10
2	18	9

3	14	6
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant contributor	0	0

The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contributor or is a non-compliant contributor. Such a bidder will score 0 out of a maximum of 10 or 20 points for B-BBEE status.

PLEASE NOTE: [a] The 80/20 point system is applicable from R30 000 [all taxes included] up to R50 million [all taxes included]

[b] The 90/10 point system is applicable to bids invited

exceeding R 50 million [all taxes included]

This should not be interpreted that quotations can be invited for up to R 1million. The threshold for the invitation of quotations did not change and it is still at R200 000.

(4). The specification committee will make proposals if functionality points need to be used and the evaluation committee will approve a variation in the point system for a specific bid.

(5). For construction procurements, the CIDB Act and Regulations are to be used for quotations/bids.

### ***Process for competitive bidding***

**20.** The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29; (g) Administration of contracts

(i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.

[h] Sub-contracting

A bidder must not be awarded the points claimed for B-BBEE status level contribution if it is indicated in the bid documents that such a bidder intends sub- contracting more than 25% of the contract value to any other enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capacity to execute the sub-contract.

A contractor is not allowed to sub-contract more than 25% of the contract value to another enterprise that does not have an equal or higher B-BBEE status level, unless the intended sub-contractor is an EME. That has the capacity and ability to execute the sub-contract.

[i] Evaluation of bids that scored equal points

In the event that two or more bids have scored equal total, the successful bid must be the one that scored the highest points for B-BBEE.

If two or more bids have equal points, including equal preference points for B- BBEE, the successful bid must be the one scoring the highest points for functionality, if functionality is part of the evaluation process.

In the event that two or more bids are equal in all respects, the award must be decided by drawing lots.

[j] Cancellation and re-invitation of bids

In the application of the 80/20-point system, if **all** bids received exceed R50 million, the bid must be cancelled. If one or more of the acceptable bid[s] received are within the R50 million threshold, all bids received must be evaluated on the 80/20 preference point system.

In the application of the 90/10 preference point system, if all bids received are equal or below R50 million, the bid must be cancelled. If one or more of the acceptable bid[s] received, are above the R50 million threshold, all bids received must be evaluated on the 90/10 preference point system.

If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

[k] Awarding of contracts

A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point system. Points scored must be rounded off to the nearest 2 decimal places.

In exceptional circumstances a contract may, on reasonable and justifiable grounds be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.

[l] Sale and letting of assets

The Preferential Procurement Regulations, 2011, are not applicable to the sale and letting of assets.

In instances where assets are sold or leased, by means of a bidding process, the bid must be awarded to the bidder with the highest price

(m) Proper record keeping

(n) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

***Bid documentation for competitive bids***

**21.** The criteria to which bid documentation for a competitive bidding process must comply, must –

- (a) take into account –
  - (i) the general conditions of contract and any special conditions of contract, if specified;
  - (ii) any Treasury guidelines on bid documentation; and
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed 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;

- (iv) statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) The Accounting Officer reserves the right to stipulate such a dispute to be settled utilizing a court of law within the Thembelihle Local Municipality boundaries or as close as possible to the municipal boundaries.

***Public invitation for competitive bids***

**22.** (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) **Advertisement of Bids and the Publication of notices in respect of Awards, Cancelled Bids, Verification and Extension of existing contracts on the e-Tender Publication Portal.**
  - (c) 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 (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
    - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
    - (iii) date, time and venue of any proposed site meetings or briefing sessions.
- (2) **The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days' requirement, but only if such shorter period**



**can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.**

- (3) Bids submitted must be sealed and the envelope must contain the bid number and closing date.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

***Procedure for handling, opening and recording of bids***

**23.** 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 be recorded, but 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 only for construction bids, also each bidder’s total bidding price must be read out as well.
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and (d) The accounting officer must –
  - (i) record in a register all bids received in time;
  - (ii) make the register available for public inspection; and
  - (iii) publish the entries in the register and the bid results on the website.

***Negotiations with preferred bidders***

**24. (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.

### ***Two-stage bidding process***

25. (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.

### ***Committee system for competitive bids***

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:

- (a) a bid specification committee;
- (b) a bid evaluation committee; and
- (c) a bid adjudication committee;

(2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

(3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency processes. Such an observer must ensure that there is no conflict of interest and should not participate in any government procurement processes.

(4) The committee system must be consistent with – (a) paragraph 27, 28 and 29 of this Policy; and

(b) any other applicable legislation.

(5) The accounting officer may apply the committee system to formal written price quotations.

### **Bid specification committees**

**27.** (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.

(2) Specifications –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or 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 labeling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and

- (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy or may be delegated to the Specification Committee.
  
- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
  
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

### **Bid evaluation committees**

**28.** (1) A bid evaluation committee must –

- (a) evaluate bids in accordance with –
  - (i) the specifications for a specific procurement; and
  - (ii) the points system set out in terms of paragraph 27(2)(f).
- (b) evaluate each bidder's ability to execute the contract;
- (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of -

- (a) officials from departments requiring the goods or services; and
- (b) at least one supply chain management practitioner / staff member of the municipality.

## **Bid adjudication committees**

**29.** (1) A bid adjudication committee must –

- (a) consider the report and recommendations of the bid evaluation committee; and
- (b) either –
  - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
  - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.

(2) A bid adjudication committee is appointed for two years and must consist of at least four senior managers of the municipality which must include –

- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
- (b) at least one senior supply chain management practitioner who is an official of the municipality and any other 3 senior managers.
- (c) a technical expert in the relevant field who is an official and who requests the goods / services must be co-opted any way. Outside technical experts can also be co-opted, they must leave the meeting after advice has been given. Only standing committee members can be involved in final deliberation and recommendations or final approval.

(3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;

(ii) notify the accounting officer. (b) The accounting officer may –

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and

(ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(7) The accounting officer must comply with section 114 of the Act within 10 working days.

(8) For the purposes of continuity and not to delay meetings the Accounting Officer may also appoint any official to temporarily replace members that are absent from meetings due to illness, leave, etc. The Accounting Officer may also decide whether or not such an official will have the same powers as committee members.

### **Procurement of banking services**

**30.** (1) A contract for banking services – (a) must be procured through competitive bids;

(b) must be consistent with section 7 or 85 of the Act; and

(c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

### **Procurement of IT related goods or services**

**31.** (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3) The accounting officer must notify SITA together with a motivation of the IT needs if

–

(a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

(b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

(4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

### **Procurement of goods and services under contracts secured by other organs of state**

**32.** (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

(2) Subparagraphs (1)(c) and (d) do not apply if –

- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

### **Procurement of goods necessitating special safety arrangements**

**33.** (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

### **Proudly SA Campaign**

**34.** The municipality supports the Proudly SA Campaign to the extent that, all things being equal, refer to the Preferential Procurement Policy Framework Act and Regulations, preference is given to procuring local goods and services from:

- Firstly – suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

### **Appointment of consultants**

**35.** (1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.



(2) Consultancy services must be procured through competitive bids if (a) the value of the contract exceeds R200 000 (VAT included); or

(b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

(a) all consultancy services provided to an organ of state in the last five years; and

(b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

### **Deviation from, and ratification of minor breaches of, procurement processes**

**36.** (1) The accounting officer may –

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

(i) in an emergency;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
- (4) If an accredited agent must be used to perform maintenance services for equipment or vehicles as part of its guarantee or warranty or to obtain genuine parts, a list of such procurement must be supplied monthly to the Accounting Officer for information purposes. Type of service, cost and reason for using one supplier only, must be stated.

### **Management of expansion or variation of orders against the original contract**

- 37. 1.** Contracts may be expanded or varied by not more than 20% for construction related goods, services and /or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the above mentioned thresholds must be reported to council. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of Section 116 (3) of the MFMA which will be regarded as an amendment of the contract.
2. The contents of this paragraph are not applicable to transversal contracts, facilitated by the relevant treasuries on behalf of municipalities and specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

### **Local Content**

- 38.** The Preferential Procurement Regulations, 2011 pertaining to the **Preferential Procurement Policy Framework Act, Act No 5 OF 2000** which came into effect on 7 December 2011 make provision for the dti to designate sectors in line with national

development and industrial policies for local production. To this end the dti has designated and determined the stipulated minimum thresholds for the following sectors:

- Bus Sector 70 - 80 %
- Pylons 100 %
- Rolling Stock 55 – 80 %
- Textiles 100%
- Processed Vegetables 80 %
- Set Top Boxes 30 %
- Furniture Products from 65 to 100%
- Electrical and telecom 90% cable products

Note: Other designated sectors may be added by dti in future.

When inviting bids/quotations where local content is applicable, municipalities must indicate this in the bid advertisement. The MBD 6.2, SABS Specification SATS 1286:2011, and dti Guidance on the calculations of local content

[available on dti's official website <http://www.thedti.gov.za>] should also be included in the bid documents/quotations.

The supplier has to proof that the product he offers does indeed comply with the stipulated thresholds. In order to do this there are three annexures which the supplier has to fill in and submit together with the bid document/quotation. These forms are also available on the dti Guidance on the calculations of Local content. It is advisable that municipalities attach the Guidance document to the bid documents/quotations in order to assist the suppliers to fill in the bid documents.

A two stage evaluation process may be followed

-First stage: calculate if the bidder adheres to the local content percentage requirement

-Second stage: Only the bidders who comply with the local content percentage requirement will be evaluated further.

### ***Unsolicited bids***

**39. (1)** In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
- (c) the person who made the bid is the sole provider of the product or service; and
- (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

(3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

- (a) reasons as to why the bid should not be open to other competitors;
- (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
- (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the adjudication committee must take into account

–

- (a) any comments submitted by the public; and
- (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.

(8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

(9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

### **Combating of abuse of supply chain management system**

40. (1) The accounting officer must–

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
  - (i) take appropriate steps against such official or other role player; or
  - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector; (d) reject any bid from a bidder–
  - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the **municipality** or to any other municipality or municipal entity, are in arrears for more than 3 months or

- (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
  - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
  - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
  - (ii) has been convicted for fraud or corruption during the past five years;
  - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

40. (3) The accounting officer (who may delegate the task to the CFO) must, as part of complying with section 62 (1)(d) of the MFMA set up and maintain a register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures. The aim with the register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences following from such expenditures until all the issues that gave rise to the expenditure are properly resolved in accordance with the legal framework. Please also consult National Treasury MFMA Circular 68 dated 10 May 2013 in this regard.

### ***Part 3: Logistics, Disposal, Risk and Performance Management***

#### **Logistics management**

**41.** The accounting officer must establish and implement an effective system of logistics management, which must include -

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

### ***Disposal management***

**42.** (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

- (i) Council to approve items for and process to be followed for the disposal of any asset
- (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 in accordance with section 14 of the MFMA;
  - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
  - (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
  - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
  - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
  - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and



- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

### **Risk management**

**43.** (1) SCM will develop its own risk management strategy that will be aligned with the organizations generic policy and updated annually.

- (2) Risk management must include –
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

### **Performance management**

**44.** The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

#### ***Part 4: Other matters***

### **Prohibition on awards to persons whose tax matters are not in order**

**45.** (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 in order.

- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.

(3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

### **Prohibition on awards to persons in the service of the state**

**46.** Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the municipality.

### **Awards to close family members of persons in the service of the state**

**47.** 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.

### **Ethical standards**

**48. (1)** A code of ethical standards as set out in subparagraph (2) is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of this

Policy –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must be scrupulous in his or her use of property belonging to the municipality;
- (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
- (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
  - (i) any alleged fraud, corruption, favouritism or unfair conduct;
  - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
  - (iii) any alleged breach of this code of ethical standards.

(3) Declarations in terms of subparagraphs (2)(d) and (e) -

- (a) must be recorded in a register which the accounting officer must keep for this purpose;
- (b) by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of ethics must be dealt with as follows -

- (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
- (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

### **Inducements, rewards, gifts and favours to municipalities, officials and other role players**

49. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –
  - (i) any official; or
  - (ii) any other role player involved in the implementation of this Policy.

(2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering

whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

## **Sponsorships**

**50.** 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.

## **Objections and complaints**

**51.** 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.

## **Resolution of disputes, objections, complaints and queries**

**52. (1)** The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

- (a) to assist in the resolution of disputes between the municipality and other persons regarding –
  - (i) any decisions or actions taken in the implementation of the supply chain management system; or
  - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must –

- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
- (b) no response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

### **Contracts providing for compensation based on turnover**

**53.** 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 (d) that such compensation must be performance based.





# THEMBELIHLE

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# SUBSEQUENT EVENTS POLICY

## 1. INTRODUCTION / BACKGROUND

The objective of Subsequent events (GRAP 14) is to prescribe when the municipality should adjust its financial statements for events after the reporting period, and the disclosures that a municipality should give about events after the reporting period.

GRAP 14 also requires that the Municipality should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the *going concern* assumption is not appropriate.

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:



- those that provide evidence of conditions that existed at the end of the reporting period (**adjusting events after the reporting period**); and
- those that are indicative of conditions that arose after the reporting period (**non-adjusting events after the reporting period**).

## 2. DEFINITIONS

### **‘Adjusting events after the reporting period’-**

are those events that provide evidence of conditions that existed at the reporting date. A municipality should adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting period.

### **‘Non-adjusting events after the reporting period’-**

are those that are indicative of conditions that arose after the reporting date. A municipality shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period but may need to disclose these events in the notes to the AFS.

### **‘Management’**

comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged for governance of the municipality in accordance with the legislation, in instances where they are required to perform such functions.

### **‘Reporting date’**

means the date of the last day of the reporting period to which the financial statements relate.

## 3. OBJECTIVES OF THE POLICY

3.1 Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Thembelihle municipality must ensure that all adjusting and non-adjusting events after the reporting period are identified.

3.2 Ensure Additional procedures should be performed to identify events after the reporting period.

3.3 Thembelihle municipality must ensure that all disclosure requirements for events after the reporting period as listed in GRAP 14 met.

#### **4. RESPONSIBILITY AND ACCOUNTABILITY**

##### **4.1 Adjusting events after the reporting period**

Thembelihle Municipality shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

##### **4.2 Non-adjusting events after the reporting period**

Thembelihle Municipality shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

##### **4.3 Additional procedures to identify events after the reporting period** Additional procedures to identify events after the reporting date could include:

- A. Legal Services should list all material contracts that the municipality has entered into after 30 June and before 31 January. In addition, the municipality's legal council should be contacted to identify and list all current, pending and outstanding legal cases. These cases could indicate provisions that should be raised and contingent liabilities or contingent assets that should be disclosed.
- B. The minutes of management meetings should be reviewed for evidence of discussion of possible after- reporting-period events.
- C. The terms and conditions of contracts entered into by the municipality and third parties during the after reporting date period should be inspected.
- D. The Manager: Asset Management could also compile a list of all Insurance Claims submitted by the municipality to its Insurer between 1 July and 31 January (period after the reporting date). This could give an indication of Assets that were stolen or damaged during the after reporting date period.
- E. Scrutinising daily newspapers from 1 July to 31 January (period after the reporting date) for articles that may involve the municipality could ensure identification of events which need to be recorded or disclosed. A list should be compiled and the list as well as copies of the articles submitted to the CFO for evaluation.
- F. The Head of Salaries (Expenditure Manger) should list all performance bonuses or backdated increases that were paid in the period after the reporting date and that pertains to the previous financial year. These events would indicate that the accounting records and AFS of the municipality should be adjusted to include these expenses.

## **5. COMMENCEMENT**

This policy will come to effect on the adoption by Council.

## TRAVEL AND SUBSISTENCE POLICY (Adopted by council on 30 May 2019)

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### OBJECTIVE

It is essential that representatives of the municipality from time to time travel to other cities and towns in order to establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organisations operating in the sphere of local government. It is important for representatives to broaden their knowledge and understanding of and compare local experiences in local government transformation, innovation and change in the rest of the country, and this can effectively be done only through the medium of personal contact with a wide range of local government stakeholders.

This policy sets out the basis for the payment of a subsistence and travel allowance for the purposes of such official travelling.

## **RESPONSIBILITIES OF REPRESENTATIVES WHO TRAVEL ON BUSINESS OF THE MUNICIPALITY**

Every representative who travels on the business of the municipality must comply with this policy in letter and in spirit. Representatives who travel on the business of the municipality must appreciate, at all times, that they are ambassadors for the municipality, that their actions, conduct and statements must be in the best interests of the municipality, and that they must comply with any specific mandates they have been given.

Consistent with the municipality's performance monitoring and evaluation objectives, the municipal manager will ensure that a database of all representatives and official travelling is kept.

## **SUBSISTENCE AND TRAVEL ALLOWANCE**

A subsistence and travel allowance is an amount of money paid by the municipality to a representative to cover the following expenses:

- meals (including reasonable gratuities);
- incidentals such as refreshments, snacks, drinks and newspapers; and
- all business-related travel.

A subsistence allowance does not cover any personal recreation, such as visits to a cinema, theatre or nightclubs, or sightseeing.

## **ENTITLEMENT TO A SUBSISTENCE AND TRAVEL ALLOWANCE**

A representative may claim a daily subsistence allowance as provided in this policy with the understanding that all authorised personal expenses are covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see below), may be claimed.

The subsistence allowance may be claimed without the representative having to furnish proof of expenses unless it exceeds the daily allowances and subsistence

Entertainment of external business associates or contacts or clients or potential investors or potential clients falls outside the scope of the subsistence allowance and will be separately

reimbursed (subject to prior approval where applicable). If a representative of the municipality has an entertainment allowance, this entertainment of external business associates or contacts or other parties must be claimed against the entertainment allowance.

A representative of the municipality may claim his or her subsistence allowance, as provided in this policy, before embarking on any official trip. The subsistence allowance must, in order to facilitate its timeous payment, be claimed, under normal circumstances at least three working days before the planned trip. PLEASE NOTE: Payment will be subject to the availability of funds at the time.

No subsistence allowance will be paid, and no representative will be entitled to a subsistence allowance, if the trip or travel is not related to the official business of the municipality. All travel on business of the municipality must be approved as such before a representative is entitled to a subsistence allowance.

For the purposes of a subsistence allowance, a representative shall mean:

- mayor/speaker
- other councillors specifically authorised to represent the municipality on a particular occasion
- municipal manager
- heads of departments
- any other official specifically authorised to represent the municipality on a particular occasion
- any official who is a member of a recognised professional institution and is granted permission to attend meetings and conferences of such institution.
- any other person/s delegated or granted permission to attend meetings and conferences on behalf of the municipality.

## **ACCOMMODATION COSTS AND SUBSISTENCE ALLOWANCE**

Representatives who travel on the business of the municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in an hotel, motel, guesthouse or bed and breakfast establishment and the following rules will apply:

- In the instance where the Municipality makes and pays accommodation arrangements, the accommodation will be made at a Hotel or Motel with a maximum of three stars or another facility such as a Lodge, B & B or Guest House, with a maximum of four stars. The representative will be booked in for Bed, Breakfast and Dinner. This four star rating are applicable for the stay of all Municipal Officials except for the Mayor and councillors and Senior Managers. The Municipal Manager may authorise any deviation from this when the destination is situated in a Metropolitan area. An original invoice from the establishment has to be submitted within 7 days after return to office or the official will be held liable for the costs.
  - If the Mayor, a Councillor, the Municipal Manager or a Head of Department needs to travel on Council business and decides to make own accommodation arrangements and have to sleep over, an amount of R1000 per day in respect of accommodation will be given as an advance. There will be no requirement to submit any proof of how the money was spent with regards accommodation costs.
- If any official, other than a Councillor or Senior Manager travels on Municipal Business, an amount of R700 may be claimed per day in respect of accommodation.
- A subsistence allowance of R400 per day will apply in respect of domestic travel
- The recoverable cost of accommodation and subsistence for international travel may not exceed provincial limits.
- If a Municipal official are required to work in the boundaries of Thembelihle Municipality, but outside its office of work, and are required to sleep over, a daily allowance of R200 in respect of subsistence may be claimed.
- In the case of both domestic and international travel, the day of departure and the day of return each qualify for a subsistence allowance.
- For purposes of this policy, domestic travel shall mean travel within South Africa, and international travel shall mean travel to any country other than South Africa.

## **CAR RENTAL AND OTHER TRAVEL COSTS**

- Only "A" or "B" category vehicles may be rented, unless it is more cost-effective to hire a more expensive vehicle (for example, when the number of representatives involved could justify the hire of a micro-bus).

- Only the Mayor can rent a car higher than a category A and B vehicle
- Car rental must be approved as part of the travel package before the trip is embarked on. A representative who rents a vehicle whilst travelling on the business of the municipality without having received prior authorisation will only be reimbursed for the cost of the vehicle rental if proof of expenditure can be produced and the representative can demonstrate that vehicle rental was reasonably but unexpectedly necessitated by the circumstances.
- All flights by representatives of the municipality shall be in economy class, unless another class of travel is specifically authorised by the mayor/council/manager, as the case may be.
- If a representative has to utilise his or her personal motor vehicle outside the boundaries demarcated for the municipality he or she will be reimbursed at a rate determined by the Automobile Association (AA tariffs) based on the engine capacity. It must be clearly stated that the intention of this reimbursement is to pay only for actual kilometres travelled and is not intended to pay for non-travelling kilometres. The distance to which the reimbursement applies, must be the shortest distance between the municipality's office where the representative is stationed and the location where the official business is to be transacted. The distance to be claimed will be the distance as per Google maps, but if it is necessary to sleep over, the following additional kilometres may be claimed per day to make provision for additional traveling having to be made at the destination or en route:
  - ✓ No sleepover required then a maximum of 25 additional kilometres may be claimed;
  - ✓ One night sleep over then a maximum of 50 additional kilometres may be claimed;
  - ✓ Two night sleep over then a maximum of 75 additional kilometres may be claimed;
  - ✓ Three nights and more sleepover then a maximum of 125 additional kilometres may be claimed;
  - ✓ If the destination city is either Johannesburg, Pretoria, Cape Town, Bloemfontein, Durban, Port Elizabeth or East London an additional maximum of 50 kilometres per day may be claimed.



If these maxima are to be exceeded, a motivation must be submitted to the Municipal Manager for approval before payment will be made.

If the total number of kilometres for which such reimbursement is received exceeds 8 000 in any tax year, reimbursement for the excess kilometres over 8 000 must be taxed for PAYE purposes.

- Where motor vehicle subsidies apply, the representative will be paid according to the Government approved tariffs as circulated monthly.

**EXAMPLES** (Although these are merely examples and do not cover all possibilities, the same principles will be applied if other hometown, office town and/or destination towns are applicable)

- i. *If a representative's office is Hopetown and the person stays in Strydenburg, the distance between Strydenburg and Hopetown will not be payable as these are seen as home-to-office kilometres. If this person has to attend a meeting in Kimberley, only the distance between Hopetown and Kimberley will be claimable. If this same person has to attend a meeting in De Aar and travel from Strydenburg direct to De Aar and back, the kilometres that can be claimed are only the kilometres between Strydenburg and De Aar and not between Hopetown and De Aar as this is not the actual kilometres travelled. Should this same person be required to attend a meeting outside normal working hours (e.g. over a weekend or in the evening) and the person travels from Strydenburg to the destination town, then all kilometres travelled will be deemed as business kilometres.*
- ii. *If a representative's office is Strydenburg and the person stays in Hopetown, the distance between Hopetown and Strydenburg will not be payable as these are seen as home-to-office kilometres. If this person has to attend a meeting in De Aar, only the distance between Strydenburg and De Aar will be claimable. If this same person has to attend a meeting in Kimberley and travel from Hopetown direct to Kimberley and back, the kilometres that can be claimed are only the kilometres between Hopetown and Kimberley and not between Strydenburg and Kimberley as this is not the actual kilometres travelled. Should this same person be required to attend a meeting outside normal working hours (e.g. over a*

*weekend or in the evening) and the person travels from Hopetown to the destination town, then all kilometres travelled will be deemed as business kilometres.*

- iii. If a representative's office is Hopetown and the person stays in Kimberley, the distance between Kimberley and Hopetown will not be payable as these are seen as home-to-office kilometres. If this person has to attend a meeting in De Aar, only the distance between Hopetown and De Aar will be claimable. If this same person has to attend a meeting in Bloemfontein and travel from Kimberley direct to Bloemfontein and back, the kilometres that can be claimed are only the kilometres between Kimberley and Bloemfontein and not between Hopetown and Bloemfontein as this is not the actual kilometres travelled. Should this same person be required to attend a meeting outside normal working hours (e.g. over a weekend or in the evening) and the person travels from Kimberley to the destination town, then all kilometres travelled will be deemed as business kilometres.*

## **SUBSISTENCE AND TRAVEL ALLOWANCES FOR PERSONS INVITED FOR INTERVIEWS**

No subsistence costs will be paid to any candidate invited for an interview, but travelling costs at a flat of R3.00 per kilometre may be paid if the candidate has to travel more than 50km to attend the interview. Should a candidate choose to fly or make use of any other mode of transport, an amount equal to the costs to travel by car, will be paid. An additional amount, as per receipt furnished by an individual, limited to a maximum of R550, will be paid per evening, when overnight accommodation is required, will be payable in respect of accommodation costs.

## **AUTHORISATION**

For purposes of implementing this policy:

- Only Heads of Departments may authorise any travel to be undertaken by officials, or payments to be made for persons invited for interviews, provided the expenses to be incurred are on the approved budget of the relevant department.
- Only the mayor or council, as the case may be, may authorise any travel to be undertaken by any councillor, or the municipal manager provided the expenses to be incurred are on the approved budget of the municipality.
- The mayor in consultation

- with the accounting officer shall approve his or her own travel on municipal business, provided the expenses to be incurred are on the approved budget of the municipality.
- The Mayor, Councillors, Municipal Manager and all officials, who participated in the benefits of this policy, must on a monthly basis submit the dates and a paragraph on the need to attend the session or sessions to the Manager: Corporate Services. The Manager: Corporate Services must then submit a consolidated report to the next Council meeting.
- An invitation to attend a workshop, meeting or related event is not an automatic authorisation to attend such workshop or event. The required authorisation must still be obtained from the municipal manager or mayor or council, as the case may be.
- Council delegates or representatives to any conference, workshop, event or meeting must ensure that they arrive on time and attend until the conclusion of such event. If any representative fails to do so, the mayor or council or the municipal manager, as the case may be, may recover all allowances and disbursements paid to enable such delegate or representative to attend such event, provided that such delegate or representative is afforded the opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.

## **LEGAL REQUIREMENTS**

In terms of Section 66 of the Municipal Finance Management Act No. 56 of 2003 the accounting officer of the municipality must report to the council, in the format and for the periods prescribed, all expenses relating to staff salaries, allowances and benefits, separately disclosing (inter alia) travel, subsistence and accommodation allowances paid.





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## 1. INTRODUCTION AND LEGISLATIVE REQUIREMENTS

- 1.1 In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, 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, inter alia, the municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.
- 1.2 In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.
- 1.3 This policy has been compiled in accordance with:-
  - 1.3.1 The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended;
  - 1.3.2 Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;
  - 1.3.3 Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;
  - 1.3.4 Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004;
  - 1.3.5 Thembelihle Municipality Property Rates Policy as reviewed annually.

## 2. DEFINITIONS AND ABBREVIATIONS

**"Account"** means an account rendered specifying charges for municipal services provided by the municipality, or any authorised and contracted service provider, and which account may include assessment rates levies.

**"Accounting officer"** means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

**"Annual budget"** shall mean the budget approved by the municipal council for any particular financial year, and shall include any adjustments to such budget.

**"Arrangement"** means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

**"Basic municipal services"** shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment.

**"Business and commercial property"** means -

- (a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
- (b) property on which the administration of the business of private or public entities take place;

**"By-law"** shall mean legislation passed by the council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

**"Category"** –

- (a) in relation to a property, means a category of properties determined in terms of section 8(2)

of the Act;

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

**“Chief financial officer”** means a person designated in terms of section 80 (2) (a) of the Municipal Finance Management Act.

**“Consumer price index”** shall mean the CPIX as determined and gazetted from time to time by the Statistician General.

**“Councillor”** shall mean a member of the Council of the municipality.

**“Domestic customer or user”** of municipal services shall mean the person or household which municipal services are rendered in respect of “residential property” as defined below.

**“Electricity charges”** means service charges in respect of the provision of electricity.

**“Farm property or small holdings used for agricultural purpose”** – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes.

**“Farm property not used for any purpose”** means agricultural property which is not used for such purpose, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property.

**“Financial year”** shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

**“Indigent customer”** means the head of an indigent household:-

- (a) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and
- (b) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

**“Indigent Support Programme”** means a structured program for the provision of indigent support subsidies to qualifying indigent customers in terms of the Council's Indigent Support Policy.

**“Indigent Support Policy”** means the Indigent Support Policy adopted by the Council of the municipality.

**“Integrated development plan”** shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

**“Industrial property”** – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

**“Local community”** or **“community”**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations and non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and 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.

**“Month”** means one of twelve months of a calendar year.

**“Municipality”** or **“municipal area”** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.



**"the municipality"** means Thembelihle Local Municipality.

**"Municipal council"** or **"council"** shall mean the municipal council of Thembelihle Local Municipality as referred to in Section 157(1) of the Constitution.

**"Municipal manager"** shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

**"Multiple purposes"** in relation to a property, shall mean the use of a property for more than one purpose.

**"Municipal service"** has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

**"Municipal tariff"** shall mean a tariff for services which the municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for the supply and consumption or usage of electricity, water, sewerage and refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of other services supplied including services incidental to the provision of the major services.

**"Occupier"** means any person who occupies, controls or resides on any premises, or any part of any premises without regard to the title under which he or she so occupies it.

**"Owner"** in relation to immovable property means -

(a) the person in whom is vested the legal title thereto provided that:-

- (i) the lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
  - (ii) the occupier of immovable property occupied under a servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) if the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;
- (c) if the owner is absent from the Republic or if his address is unknown to the municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or if the municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

**"Pensioner"** shall be a domestic customer who have reached the age of 65 with proof of age by means of a certified copy of his/her identity document and approved as a pensioner by the Accounting Officer.

**"Premises"** includes any piece of land, the external surface boundaries of which are delineated on:

- (a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or
- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, and which is situated within the area of jurisdiction of the municipality.

**"Rate"** shall mean a municipal rate on property as envisaged in Section 229 (1 (a) of the Constitution.

**"Rateable property"** shall mean property on which the municipality may in terms of Section 2 of the Municipal Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act.

**"Ratepayer"** shall mean a person who is liable to the municipality for the payment of (a) rates on property in the municipality; (b) any other tax, duty or levy imposed by the municipality; and/or (c) fees for services provided either by the municipality or in terms of a service delivery agreement.

**"Rebate"** in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Municipal Property Rates Act, 2004 on the amount of the rate payable on the property.

**"Refuse charges"** means service charges in respect of the collection and disposal of refuse.

**"Residential property"** shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Municipal Property Rates Act, 2004 as residential.

**"Residential property"** furthermore means improved property that: -

(a) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property.

Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;

(b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;

(c) is owned by a share-block company and is used predominantly for residential purposes;

(d) is a residence used for residential purposes situated on a property used for educational purposes;

(e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;

(f) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

**"Sewerage charges"** means service charges in respect of the provision of sewerage services.

**"Small holding"** means

(a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or

(b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

**"State owned property"** excludes any property included in the valuation roll under the category 'residential property' or 'vacant land', but includes any property that is under state control but is still registered in the name of the municipality;

**"Tariff"** means the scale of rates, taxes, duties, levies or other fees which may be imposed by the municipality in respect of immovable property or for municipal services provided.

**"Tariff Policy"** means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000.

**"Water charges"** means service charges in respect of the provision of water.

### **3. PURPOSE OF THE TARIFF POLICY**

- 3.1 Apart from meeting legislative requirements, this policy also emanates from the objectives determined in Council's anti-corruption policy.
- 3.2 The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying tariffs by the Thembelihle Local Municipality.
- 3.3 The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

### **4. SCOPE OF APPLICATION**

- 4.1 This policy applies to all tariffs charged within the defined boundaries of Thembelihle Local Municipality.

### **5. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE**

- 5.1 Service tariffs imposed by the local municipality shall be viewed as user charges and not as taxes, and therefore the ability of the relevant customer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).
- 5.2 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 5.3 Tariffs for the four major services rendered by the municipality, namely Electricity, Water, Sewerage and Refuse Removal, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- 5.4 The tariff which a particular customer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 5.5 The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and customers in the municipal region.
- 5.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and customers in regard to the tariffs which it levies. Such differentiation shall however at all times be reasonable and shall be fully disclosed in each annual budget.
- 5.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of customers or users shall be evident to all customers or users of the service in question.
- 5.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all customers and users affected by the tariff policy concerned.
- 5.9 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

- 5.10 In the case of conventional metering systems for electricity and water, the consumption of such services shall be properly metered by the municipality and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on customers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy a monthly fixed charge for electricity and water services.
- 5.11 In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- 5.12 In case of vacant stands, where the services are available but not connected, the municipality shall levy a monthly availability charge which is levied because of fixed costs such as the capital and maintenance costs and insurance of infrastructure available for immediate connection. This principle also applies to vacant stands in areas serviced through septic tanks.

## **6. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE**

### *6.1 Financial Factors*

- 6.1.1 The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service to avoid cross subsidising of services.
- 6.1.2 In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-
- 6.1.2.1 Cost of bulk purchases in the case of water and electricity.
  - 6.1.2.2 Distribution costs.
  - 6.1.2.3 Distribution losses in the case of electricity and water.
  - 6.1.2.4 Depreciation expenses.
  - 6.1.2.5 Maintenance of infrastructure and other fixed assets.
  - 6.1.2.6 Cost of approved indigent relief measures and cross subsidising of low consumption.
  - 6.1.2.7 Administration and service costs, including:-
    - (a) service charges levied by other departments such as finance, human resources and legal services;
    - (b) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;
    - (c) adequate contributions to the provisions for bad debts and obsolescence of stock; and
    - (d) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenue, and shall not be included in the costing of the major services of the municipality).

6.1.2.8 The intended surplus to be generated for the financial year. Surplus to be applied:-

- (a) as an appropriation to capital reserves; and/or
- (b) generally in relief of rates.

## 6.2 *Socio-economic factors*

6.2.1 Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economic factors the various user categories and forms of subsidisation needs to be considered. Tariffs should also support business initiatives aimed at creating jobs or contribute to the economy of the area.

6.2.2 Users can be divided into the following categories:-

6.2.2.1 Users who are incapable to make any contribution towards the consumption of services and who are fully subsidised;

6.2.2.2 Users who can afford the cost of the services in total.

6.2.3 It is important to identify these categories and to plan the tariff structures accordingly. Subsidies currently derived from two sources namely:-

6.2.3.1 Contributions from National Government: National Government makes an annual contribution according to a formula, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.

6.2.3.2 Contributions from own funds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.

6.2.4 To make provision for subsidisation the tariff structure can be compiled as follow:-

6.2.4.1 Totally free services (within limits and guide lines);

6.2.4.2 Full tariff payable with a subsidy that is transferable from sources as mentioned above.

## 6.3 *Minimum service levels*

6.3.1 It is important that minimum service levels be determined in order to make an affordable tariff package available to all potential users.

## 6.4 *Credit Control*

6.4.1 It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually. Non-payment has a direct effect in that provision for bad debt, in accordance with current payment levels, must be provided as expenditure in the budget.

6.4.2 However, it is also a fact that there are users who are unable to pay. Tariffs must therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a

practical policy for indigents. This will ensure the sustainable delivery of services. In addition, adequate provision should be made on an annual basis for bad debt/ working capital in accordance with current payment levels.

## 6.5 *Package of services*

- 6.5.1 The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can profits be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

## 6.6 *Historical and future user patterns*

- 6.6.1 It is important to keep accurate consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that may have an impact on tariffs.

## 6.7 *User groups*

- 6.7.1 Users are traditionally divided into user groups as set out below:-

6.7.1.1 Domestic (Residential);

6.7.1.2 Businesses/ Commercial;

6.7.1.3 Industries/Bulk customers;

6.7.1.4 Farm properties (agricultural);

6.7.1.5 Accommodation establishments (guest houses);

6.7.1.6 Municipal consumption (departmental charges); and

6.7.1.7 Institutions that may be directly subsidised for example retirement homes, schools and hostels, sport organisations, etcetera.

6.7.1.8 Special arrangements for specific developments as may be determined by Council from time to time.

- 6.7.2 A continuous effort should be made to group together those users who have more or less the same access to a specific service.

## **7. FREE BASIC SERVICES**

- 7.1 Free basic municipal services refer to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.

- 7.2 In terms of the South African Constitution all customers should have access to basic services. Currently, the free basic services provided to the domestic customers within the Thembelihle Local Municipality are as follows: -

- 7.2.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

- 7.2.2 The general threshold for indigent support is restricted to qualifying households with a combined income amount per month less or equal than an amount determined by Council.

## **8. REDUCED CHARGES FOR PENSIONERS**

Once a domestic customer has been approved as a pensioner, the full monthly account will be discounted by 5% on the condition that payment is made in full prior to or on the due date. This 5% discount will be in addition to the early payment discount of 5% applicable to all users.

## **9. EARLY PAYMENT DISCOUNT**

If payment is received and recorded in the Municipality's records as being paid in full on or before the 5th working day in the month following the statement date, a discount of 5% will be given on the current month's account. Early payment discount date to be changes to the 12<sup>th</sup> (it is corresponding with the customer care policy).

## **10. TARIFF STRUCTURES FOR VARIOUS SERVICES**

- 10.1 It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -

10.1.1 The need to reflect costs as accurately as possible in order to achieve cost effectiveness;

10.1.2 The need to ensure equality and fairness between user groups;

10.1.3 The need for a practically implementable tariff;

10.1.4 The need to use appropriate metering and provisioning technology;

10.1.5 The need for an understandable tariff; and

10.1.6 The user's ability to pay.

- 10.2 Taking into consideration the abovementioned points the tariff structure of the following services are discussed:-

10.2.1 Electricity.

10.2.2 Water.

10.2.3 Refuse Removal.

10.2.4 Sewerage.

10.2.5 Property Rates.

### **10.3 *Electricity***

- 10.3.1 To calculate the tariff for electricity, the actual cost incurred in the supply of electricity to the community, has to be taken into consideration. The principle of basic levies as well as a per unit tariff for electricity is determined by the cost structure. This cost structure consists of the following components:-

10.3.1.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any electricity has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of electricity, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be

recovered whether any electricity is used or not. The costs are therefore recovered by means of a fixed levy per period (normally as a monthly basic charge) in order to ensure that these costs are covered.

10.3.1.2 Variable costs: It relates to the physical provision of electricity according to consumption/ demand and must be financed by means of a unit tariff which is payable per kWh/KVA electricity consumed.

10.3.1.3 Profit taking: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

10.3.2 The following tariff structures were basically used for the determination of tariffs:-

10.3.2.1 Inclining block tariff (IBT) tariff structure where customers' consumption is divided into blocks and each subsequent block has a higher energy rate (c/kWh). The tariff structure has been set by NERSA in order to protect/ cross-subsidise low income domestic customers and to promote energy efficiency.

10.3.2.2 Two part tariff (consist of a basic monthly charge plus a variable charge related to metered kWh consumption):-

- Energy rate (c/kWh)
- Basic monthly charge (R/month).

10.3.2.3 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements and/or special circumstances.

10.3.3 An availability fee will be charged on properties not connected to the electricity network should it be available to that property. This fee aims to recoup capital and maintenance costs in respect of such properties. If the owner connects the service with the intention to improve the property the debit will be adjusted pro-rata from the date of the connection.

## 10.4 *Water*

10.4.1 Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. In order to cut consumption, an inclining block rate tariff structure with a basic fee is applied. In principle, the amount that users pay for water services should generally be in proportion to their use of water services. Tariffs must be set at levels that facilitate the sustainability of the service.

10.4.2 To calculate the tariff for water, the actual cost incurred in the supply of water to the community, has to be taken into consideration. The principle of basic levies as well as a kilolitre tariff for water is determined by the cost structure. Similar to electricity, this cost structure consists of the following components:-

10.4.2.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a fixed levy per period (normally on a monthly basis) in order to ensure that these costs are covered.

10.4.2.2 Variable costs: It relates to the physical provision of water according to demand and must be financed by means of a unit tariff which is payable per kilolitre water consumed.



10.4.2.3 Profit taking: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

10.4.3 The following tariff structures were basically used for the determination of tariffs:-

10.4.3.1 Two-leg tariff consisting of a basic charge and a consumption charge for users with conventional meters.

10.4.3.2 An availability fee will be charged to users and/or properties not connected to the water network, should it be available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties. If the owner connects and improve the property the debit will be adjusted pro-rata from the date of the connection.

10.4.3.3 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

10.4.3.4 Inclining block tariff (IBT) tariff structure where customer's consumption is divided into blocks and each subsequent block has a higher consumption rate (c/kl). The tariff structure has been set by Council in order to protect/ cross-subsidise low income domestic customers and to promote water consumption efficiency.

## 10.5 *Refuse Removal*

10.5.1 Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

10.5.2 A customer who chooses to do his/her own refuse removal will still be liable for paying the applicable refuse tariff.

10.5.3 The tariff levied by Thembelihle Local Municipality is based on the category of property as determined in the valuation roll.

10.5.4 The following tariff structures were basically used for the determination of tariffs:-

10.5.4.1 Residential (domestic customers) – maximum of one removal per week (black bag system).

10.5.4.2 Accommodation Establishments – maximum of one removal per week (black bag system).

10.5.4.3 Business/ Commercial/ Industrial – maximum of one removal per week.

10.5.4.4 Government/Banking Institutions - maximum of one removal per week.

10.5.4.5 Schools/Hotels - maximum of one removal per week.

10.5.4.6 Homes for the Aged – maximum of one removal per week.

10.5.4.7 Additional removals – More than the maximum removals as per 8.5.4.1 - 8.5.4.6.

10.5.4.8 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

10.5.4.9 Garden refuse removals – maximum of one removal per week.

## 10.6 *Sewerage*

10.6.1 Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

10.6.2 The following tariff structures were basically used for the determination of tariffs:-

10.6.2.1 The tariff levied for waterborne sewerage systems is based on the type of user as determined by the Municipality.

10.6.2.2 The tariff levied for the bucket system will consist of a basic charge.

10.6.2.3 Customers who are not connected to the waterborne sewerage network but who can reasonably be connected shall pay an availability tariff.

10.6.2.4 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

## 10.7 *Property Rates*

10.7.1 The rate levied by the municipality will be a cent amount in the Rand based on the market value of the property.

10.7.2 In terms of the Municipal Property Rates Act, 2004 the municipality may levy different rates for different categories of rateable property. Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and by way of reductions and rebates as provided for in the municipality's property rates policy.

10.7.3 In terms of section 17 (1) (e) of the Municipal Finance Management Act the municipality's property rates policy must be reviewed on an annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

## **11. ELECTRICITY TARIFF POLICY**

Electricity is supplied under a distribution license, granted by NERSA, for a specific area of jurisdiction, which regulates inter alia the following aspects:-

- a. Classification of customer categories.
- b. Permissible tariff structure options are determined at a national level and distributors are obliged to apply these structures to obtain uniformity.
- c. All tariff structures and tariffs must be approved by NERSA prior to application thereof by a distributor.

### 11.1 *Residential Customers*

This tariff covers the supply of electricity for domestic use in private dwellings, flats and chalets with separate meters and includes churches, schools, welfare buildings, hospitals, halls or similar premises with circuit breaker sizes not in excess of 63A single phase or 63A three phase.

Should customers require supplies in excess hereof, the Commercial Customer or Bulk Supply tariff will be applicable.

#### 11.1.1 *Customers with Conventional Meters*

11.1.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Two part tariff:

- i. Fixed monthly charge (R/month).
- ii. Energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

### 11.1.2 Pre-paid Customers

11.1.2.1 Pre-paid users, if applicable, are charged at an inclining block tariff per unit based on the number of kWh purchased, which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

11.1.2.2 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases.

11.1.2.3 Registered Indigents receive a number of kWh units fully subsidised every month, as determined by Council on an annual basis. Where possible, Council may limit the supply to indigent consumers to 20A single phase.

### 11.2 Commercial/ Business Customers/ Accommodation Establishments

This tariff covers the supply of electricity to shops, office buildings, hotels, accommodation establishments, clubs, industrial undertakings, Builder's supplies or similar premises with circuit breaker sizes not in excess of 63A single phase or 100A three phase.

Should customers require supplies in excess hereof, the Non-standard tariff will be applicable.

#### 11.2.1 Customers with Conventional Meters

11.2.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.

(b) Two part tariff:

- i. Fixed monthly charge (R/month).
- ii. Energy rate (c/kWh). The energy rate is charged at a single rate tariff per unit based on the number of kWh consumed.

11.2.2 *Pre-paid Customers*

11.2.2.1 Pre-paid users, if applicable, are charged at a single rate tariff per unit based on the number of kWh purchased.

11.2.2.2 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases or the blocking of purchases will be introduced.

11.3 *Non-standard Customers*

11.3.1 The Non-standard tariff is for Customers with a notified maximum demand of 71kVA or more or who require a supply greater than a 100Amp three phase circuit breaker size.

11.3.2 These customers are billed as follow:-

(a) An availability non-standard charge is payable on all properties, where a connection to the electricity network is possible, but not in use.

(b) Two part tariff:

- i. Fixed Non-standard monthly charge (R/month).
- ii. Non-standard energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

11.4 *Special Arrangements*

11.4.1 Other tariffs may be applicable which has been determined by the Manager: Technical Services or Council by special agreement with specific clients. This will only be considered when special circumstances prevail.

11.5 *Departmental*

11.5.1 The respective Commercial and Bulk Supply tariffs as per Item No's 9.2 and 9.3 above will be applicable to all municipal buildings, pump stations, waste water works, water treatment works, etc.

## 11.6 *Electricity sundry tariffs*

11.6.1 All other electricity related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **12. WATER TARIFF POLICY**

### 12.1 *Domestic /Commercial /Business /Accommodation Establishments*

12.1.1 Customers are billed as follow:-

12.1.1.1 All users receive 6kl of water free every month, if approved by Council on an annual basis.

12.1.1.2 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

12.1.1.3 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.1.1.4 Registered Indigents receive their subsidy on the basic levy for water every month, as determined by Council on an annual basis.

12.1.1.5 Registered Indigents receive an amount of water fully subsidised every month, as determined by Council on an annual basis.

12.1.1.6 Domestic customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-

(a) 1 to 6 kl

(b) 7 to 15 kl

(c) 16 to 25 kl

(d) > 25 kl

### 12.2 *Businesses and Industries*

12.2.1 Customers are billed as follow:-

12.2.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

12.2.1.2 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.2.1.3 Customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-

(a) 1 to 60kl

(b) 61 kl and above

### 12.3 *All other Customers*

12.3.1 All other customers are billed as follow:-

12.3.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

12.3.1.2 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.3.1.3 Customers are billed for consumption at a fixed tariff per kilolitre based on the number of kilolitres consumed.

#### 12.4 *Special Arrangements*

12.4.1 Where two or more dwellings/ flats/ offices are feeding from one main connection to a property, the customers are billed as follow:-

12.4.1.1 A basic charge is payable on all properties that are connected to the water network, regardless of whether any water is used.

12.4.1.2 Customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage as per 10.1.1.6.

#### 12.5 *Water Restrictions*

12.5.1 The availability of bulk water resources will be monitored throughout the year by Council.

12.5.2 When so required, Council will take a resolution to implement water restrictions.

12.5.3 Any penalties payable on water consumption as a result of water restrictions will be implemented in the month following the Council resolution; regardless of the meter reading dates (water consumed prior to the resolution date may therefore also be subject to penalties).

#### 12.6 *Water Sundry Tariffs*

12.6.1 All other water related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

### **13. REFUSE TARIFF POLICY**

#### 13.1 *Refuse Removal Tariffs*

13.1.1 The tariff levied by Thembelihle Local Municipality is based on the category of property as determined in the valuation roll.

13.1.2 The Council has determined the following categories for refuse removal:-

13.1.2.1 Residential (domestic customers) – maximum of one removal per week (black bag system).

13.1.2.2 Accommodation Establishments – maximum of one removal per week (black bag system).

13.1.2.3 Business/ Commercial/ Industrial – maximum of one removal per week.

13.1.2.4 Government/Banking Institutions - maximum of one removal per week.

13.1.2.5 Schools/Hotels - maximum of one removal per week.

13.1.2.6 Homes for the Aged – maximum of one removal per week.

13.1.2.7 Additional removals – More than the maximum removals as per 8.5.4.1 - 8.5.4.6.

- 13.1.2.8 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.
  - 13.1.2.9 Garden refuse removals – maximum of one removal per week.
  - 13.1.2.10 Special tariff arrangements determined and approved by Council from time to time for specific developments. In terms of the current arrangements, all developments with ten or more units that have created a central collection point for refuse will qualify for a reduced tariff as determined by Council on an annual basis.
- 13.1.3 Registered Indigents receive their refuse removal service subsidised every month, as determined by Council on an annual basis.
- 13.2 *Refuse Removal Sundry Tariffs*
- 13.2.1 All other refuse removal related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **14. SEWERAGE TARIFF POLICY**

- 14.1 *Sewerage Systems (both waterborne and bucket systems)*
- 14.1.1 The following tariff structures were basically used for the determination of tariffs:-
- 14.1.1.1 The tariff levied for waterborne sewerage systems is based on the type of user as determined by the Municipality.
  - 14.1.1.2 The tariff levied for the bucket system will consist of a basic charge.
  - 14.1.1.3 Customers who are not connected to the waterborne sewerage network but who can reasonably be connected shall pay an availability tariff.
  - 14.1.1.4 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.
- 14.1.2 Registered Indigents receive their basic levy for sewerage service subsidised every month, as determined by Council on an annual basis.
- 14.2 *Special Arrangements*
- 14.2.1 Where two or more dwellings/ flats/ offices are feeding from one main connection to a property, the customers are billed as follow:-
- 14.2.1.1 A basic charge is payable on all properties that are connected to the sewerage network based on the size of the smallest water connection (20mm).
- 14.3 *Sewerage sundry tariffs*
- 14.3.1 All other sewerage related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **15. PROPERTY TAX POLICY**

- 15.1 *Property Tax Tariffs*
- 15.1.1 Property rates are levied as determined by Council from time to time and is covered in the Property Rates Policy and Bylaw of the Thembelihle Municipality.

15.1.2 Any property that is under state control but is still registered in the name of the municipality shall be liable for property tax as provided for in the Property Tax Policy and Credit Control Policy and By-Law of the municipality;

## 15.2 *Property Tax Sundry Tariffs*

13.2.1 All other property tax related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **16. SUNDRY TARIFFS**

16.1 A variety of sundry tariffs are applied to recoup costs of sundry services to the public. All such tariffs are based on cost of supply, but individual tariffs may be set at:-

16.1.1 Subsidised levels;

16.1.2 Levels reflecting actual cost; or

16.1.3 Levels producing profits.

16.2 The level at which the Council sets a sundry service tariff, takes into account factors such as:-

16.2.1 Affordability;

16.2.2 Socio-economic circumstances;

16.2.3 Utilisation of amenities and resources;

16.2.4 National and regional agreements and provisions; and

16.2.5 Any other factors influencing such decisions.

16.3 Sundry tariffs and structures will be revised at least once a year, during the annual budgeting process.

16.4 The Mayor or a Councillor may motivate in writing to the Accounting Officer to reduce a Sundry Tariff under warranted and in exceptional instances to either reduce the Sundry Tariff or to levy no tariff at all. The Accounting Officer will then consider and take a decision on the matter. It must be borne in mind that where direct costs such as overtime are involved, an amount not lower than the additional direct costs should be considered.

## **17. IMPLEMENTATION AND REVIEW OF THIS POLICY**

17.1 This policy shall be implemented once approved by Council. All future tariff charges must be considered in accordance with this policy.

17.2 In terms of section 17(1)(e) of the Municipal Finance Management Act this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.



**TELECOMMUNICATIONS DEVICE POLICY  
(Adopted by council on 30 August 2019)**

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**1. Purpose**

The purpose of this policy is to regulate the procurement for, and use of cell phones by, councillors and staff of the Municipality.

## 2. Provision of Cell Phones by Municipality for Permanent use

2.1 The following councillors and staff of the Municipality (such councillors and staff being referred to as “recipients”) will be provided with cell phones or allowance (such cell phones being referred to as “provided cell phones”) at the expense of the Municipality. This expense shall include the monthly rental and other fixed costs associated therewith, and shall be limited to the following amounts:

### Cell Phones

Mayor	Gazetted amount
Part-time Councillors	Gazetted amount
Municipal Manager	R2 750.00
S57 Managers	R2 150.00
S56 Managers	R 1 100.00
Contractual Managers	R 850.00
Essential Users (MM’s Discretion)	R 500.00 (unless another amount is approved by the Municipal Manager).

### Data cards

Mayor	Gazetted amount
Part-time Councillors	Gazetted amount
Municipal Manager	R400 p.m.
S57 Managers	R400 p.m.
S56 Managers	R400 p.m.
Contractual Managers	500 mb
Essential Users (MM’s Discretion)	500 mb

2.2 The Municipal Manager shall have the sole discretion as to which make and model of cell phone shall be provided to any recipient.

2.3 Provided cell phones remain the property of the municipality, and must be returned by recipients to the Municipality on demand by the Municipal Manager, or when a councillor ceases to serve as such or when a staff member ceases to be employed by the Municipality.

2.4 If any provided cell phone is lost or stolen, that fact must be reported immediately by the recipient to the Municipal Manager and the South African Police Service.

2.5 All mobile devices will be insured and the cost of insurance will be recovered from the users receiving a cellphone allowance. Cost recovered will be as per the billed amount received from Insurance Company.

2.6 Recipients must at all times take due care of provided cell phones.

2.7 If any provided cell phone is damaged or requires servicing, the recipient shall immediately deliver the cell phone to the Municipal Manager who, subject to the provisions of this policy, shall take such steps as may be necessary to have same repaired or serviced.

2.8 If any provided cell phone is lost, stolen or damaged beyond repair, the Municipal Manager shall, subject to the provisions of this policy, take such steps as may be necessary to have same replaced.

2.9 If the provided cell phone is insured and an excess is needed to get the lost or stolen phone replaced, 50% of the insurance excess will be recovered from such councillor or employee and the other 50% will be carried by the municipality. All fees payable relating to the insured cellphone will be recovered from officials receiving a cellphone allowance.

2.10 If any provided cell phone is damaged, lost or stolen due to the negligence or deliberate act of the recipient, the Municipal Manager may require the recipient to pay the cost of repairing or replacing the cell phone, and the Municipal Manager shall not be obliged to repair or replace same until the recipient pays such cost.

### **3. Procurement of Cell Phones and Related Services**

3.1 A "municipal cell phone" shall mean a cell phone (including the SIM card) obtained by the Municipality for purposes of section 2.

3.2 Contracts for the procurement of municipal cell phones and for the provision of airtime, insurance and related services may be entered into only in accordance with the Municipality's Supply Chain Management Policy.

3.3 Air time for municipal cell phones may be obtained only on a contract basis, and shall not be obtained on a "pay-as-you-go" basis.

3.4 A contract for the acquisition and use of a municipal cell phone must provide that an itemised bill will be issued each month for airtime used on that cell phone.

3.5 Each municipal cell phone must be insured by the relevant service provider.

#### **4. Use of Municipal Cell Phones**

- 4.1 Municipal cell phones may be used only for official municipal business. The use of Municipal cell phones for private matters may only be done in exceptional circumstances.
- 4.2 No international calls may be made from any municipal cell phone.
- 4.3 Any person who fails to comply with the provisions of 4.1 and 4.2 shall be liable to reimburse the municipality for the costs of the calls made in contravention thereof, and shall also be liable to disciplinary action.
- 4.4 Itemised bills for each municipal cell phone will be obtained each month. A copy of each such bill shall be made available by the Municipal Manager to the recipient of the provided cell phone concerned. If requested by the Municipal Manager, the recipient shall inform the Municipal Manager in writing of the identity of the person to whom any or every call reflected in such bill was made, and if requested, shall justify in writing the making of any or every such call as being for official business purposes.
- 4.5 Recipients of provided cell phones are expected to keep such phones switched on at all reasonable times so as to ensure that they are contactable.
- 4.6 The maximum amount of the usage or airtime charges which the municipality shall pay for each recipient in each month is set out in 2.1. If any recipient exceeds this amount, he or she shall be liable to reimburse the Municipality for the excess unless approved by the Municipal Manager.
- 4.7 If any recipient incurs usage or airtime charges in any month which are less than the maximum amount stated in section 2.1, the shortfall will be forfeited by the user.
- 4.8 If the Municipal cell phone contract has expired or due for upgrade, the employee or councillor can apply to purchase such a handset. If such a request is approved, the municipality will determine a market related price at which the handset can be sold at.
- 4.9 The clause as referred to in 4.8 excludes recipients whose cellphone charges are deducted from their salaries.
- 4.10 If the Municipal cell phone contract is not due for upgrade and the employee's/ councillor's term of office has expired or resigned and wants to retain the cell phone & SIM card, the recipient will be liable to pay a fee for the cell phone that will be determined by the Municipal Manager at that time and also transfer the contract from the Municipality's account to his/her account before the recipient's last date of resignation.
- 4.11 Failure by any Municipal employee and councillor to comply with section 4.8 and 4.9 shall be deemed as an offence and disciplinary action & other law enforcements will apply.

## **5. Use of Private Cell Phones**

- 5.1 The Municipal Manager may authorise a councillor or staff member to whom a cell phone has not been provided under section 2 to use his or her personal cell phone for business purposes, subject to such limitations ( including as to costs) and conditions as the Municipal Manager may deem fit.
- 5.2 Only a cell phone for which air time is provided on a contract basis and for which an itemised bill is provided may be used for purposes of this section.
- 5.3 A person who is authorised to use his or her personal cell phone under section 5.1 shall be entitled to claim reimbursement from the municipality only for the costs (as billed to such person) incurred in making actual calls for business purposes in accordance with the limitations and conditions contemplated in 5.1. The Municipality shall not be liable to pay any portion of such person's fixed cell phone costs or other operating costs. The maximum amount which may be claimed each month hereunder (which shall in any event be subject to any limitation imposed by the Municipal Manager under 5.1) shall not exceed R200.00, provided that the Municipal Manager of the Municipality may in any particular case authorise a higher maximum amount.
- 5.4 Claims for the reimbursement of the costs of such calls shall be made as follows:
- 5.4.1 Any such claim must be submitted to the Chief Financial Officer within 10 days of the last day of the month in which the cost is incurred;
  - 5.4.2 The claim must be made in the form approved by the Municipal Manager, and must be accompanied by a copy of the cell phone airtime bill issued to the person concerned, on which the calls for which the claim is made are clearly highlighted;
  - 5.4.3 The claim must be signed by the claimant as well as by the Municipal Manager and the head of the relevant department;
  - 5.4.4 If the claim is in order, the claimant should be reimbursed within 7 days of submitting the claim.
- 5.5 No person shall be entitled to be reimbursed for the costs of calls made on his or her private cell phone unless he or she has been authorised to use such cell phone under this section.
- 5.6 A recipient to whom a cell phone has been provided in terms of section 2 shall not be authorised to use his or her private cell phone for business purposes and be reimbursed for such use unless the provided cell phone has been lost or stolen or is undergoing repairs or servicing and no replacement phone has been provided to him or her

## **6. Reporting**

The Chief Financial Officer shall report to the Municipal Manager every month on the following:

- 6.1 The total expenditure on cell phones for each recipient in each month;
- 6.2 The total expenditure on cell phones for the entire municipality (including charges relating to use of private cell phones);
- 6.3 Contraventions of this policy in every month, and the identities of persons so contravening it;
- 6.4 Losses and theft of cell phones in every month.

## **7. Introducing this policy**

Due to the fact that there are some existing arrangements with regards cell phones between the Municipality and Councillors/Staff, it is stated that this cell phone policy will be phased in over a period not exceeding 24 months (or 31 August 2015). During this time all existing cell phone/data contracts will continue until it reaches its normal expiry date. Once the expiry date is reached, it will be compulsory to enter into a new agreement in accordance with this policy.

## **8. Administration of Policy**

The Municipal Manager shall be responsible for the administration and enforcement of this policy, provided that he may delegate any of his functions hereunder to any member or members of staff of the Municipality.

**VIREMENT POLICY**  
**(Adopted by council on 30 May 2019)**

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**1. DEFINITIONS**

1. **“Accounting officer”** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
2. **“Approved budget”** means an annual budget approved by a municipal council.
3. **“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality
4. **“Chief financial officer”** means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.
5. **“Capital Budget”** This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods
6. **“Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.
7. **“Financial year”** means a 12-month year ending on 30 June.
8. **“Line Item”** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures [**See annexure “B” for current item structure**]
9. **“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenue used to finance them.
10. **“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.
11. **“Service delivery and budget implementation plan”** means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget.
12. **“Virement”** is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.
13. **“Vote”** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. [**See annexure “A” for current Vote structure**]



## **2. ABBREVIATIONS**

**CFO** – Chief Financial Officer

**IDP** – Integrated Development Plan

**MFMA** – Municipal Finance Management Act No. 56 of 2003

**SDBIP** - Service delivery and budget implementation plan

**CM** – Council Minute/s

## **3. OBJECTIVE OF THE POLICY**

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

## **4. VIREMENT CLARIFICATION**

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Manager and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

## **5. FINANCIAL RESPONSIBILITIES**

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and/or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

## **6. VIREMENT RESTRICTIONS**

a. No funds may be viremented between votes (GFS Classifications) without approval of both vote holders and the Chief Financial Officer.

b. Virements may not exceed a maximum of 20% of the total approved operating expenditure budget

- c. A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)
- d. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- e. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Council (e.g. expenditure such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines).
- f. No virement may be made where it would result in over expenditure. (section 32 MFMA)
- g. No virement shall add to the establishment of the Municipality without the approval of Municipal Manager.
- h. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- i. Virements may not be made in respect of ring-fenced allocations.
- j. Budget may not be transferred from Interdepartmental costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k. Budget may only be transferred from Salaries if approved by the CFO.
- l. Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- m. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- n. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)

- o. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- p. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.
- q. Virements may not be made between Expenditure and Income.

## ***7. VIREMENT PROCEDURE (SEE APPENDIX C ATTACHED)***

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the Chief Financial Officer for checking, approval and implementation.
- b. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
- c. A virement form must be completed for all Budget Transfers.
- d. All Virements require the approval of the Chief Financial Officer. (Section 79 MFMA)
- e. Must include changes to the SDBIP.
- f. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- g. The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

**APPENDIX A**

**DEPARTMENTS, GFS CLASSIFICATIONS AND VOTE HOLDERS**

<b>VOTE</b>	<b>GFS CLASSIFICATION</b>	<b>DEPARTMENT</b>	<b>VOTE HOLDER</b>	<b>SUPPORT VOTE HOLDER</b>
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Executive and Council	Executive and Council	Council General	Mayor	Municipal Manager
		Municipal Manager	Municipal Manager	Municipal Manager

Finance	Finance and Admin	Finance	CFO	CFO
	Interns	Finance	CFO	CFO

Corporate Services	Corporate Services	Administration	MANAGER;; Corporate Services	MANAGER;; Corporate Services
		Fixed property & Building	MANAGER;; Corporate Services	Manager: Corporate Services
	Community and Social Services	Library	MANAGER;; Corporate Services	MANAGER;; Corporate Services
		Community Facilities	MANAGER;; Corporate Services	MANAGER;; Corporate Services
	Public Safety	Disaster Management	MANAGER;; Corporate Services	MANAGER;; Corporate Services
	Planning and Development	IDP	MANAGER;; Corporate Services	MANAGER;; Corporate Services
		LED	MANAGER;; Corporate Services	MANAGER;; Corporate Services
	Road Transport	Traffic	MANAGER;; Corporate Services	MANAGER;; Corporate Services

Technical Services	Support Services	PMU	MANAGER;; Technical Services	MANAGER;; Technical Services
	Electricity	Electricity	MANAGER;; Technical Services	MANAGER;; Technical Services
	Water	Water	MANAGER;; Technical Services	MANAGER;; Technical Services
	Water Waste Management	Water Waste Management	MANAGER;; Technical Services	MANAGER;; Technical Services
	Waste Management	Waste Management	MANAGER;; Technical Services	MANAGER;; Technical Services

**APPENDIX B**

Item	Description	Comment	Virement	
			From	To
	<b>EMPLOYEE RELATED COSTS BARGAINING COUNCIL</b>			
	BONUS	Expenditure	Yes	No
	ENTERTAINMENT ALLOWANCE	Expenditure	Yes	No
	HOUSING SUBSIDY	Expenditure	Yes	No
	IRP5 RECONCILIATION	Expenditure	Yes	No
	LEAVE GRATUITY	Expenditure	Yes	No
	LIFE ASSURANCE	Expenditure	Yes	No
	LONG SERVICE AWARD: ACTUARIAL GAINS/LOSSES	Expenditure	Yes	No
	LONG SERVICE AWARD: BENEFIT	Expenditure	Yes	No
	LONG SERVICE AWARD: INTEREST	Expenditure	Yes	No
	LONG TERM SERVICE	Expenditure	Yes	No
	LONG TERM SERVICE AWARD: COS	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	MEDICAL AID LIABILITY	Expenditure	Yes	No
	MEDICAL AID LIABILITY: ACTUARIAL GAINS/LOSSES	Expenditure	Yes	No
	MEDICAL AID LIABILITY: BENEFIT PA	Expenditure	Yes	No
	MEDICAL AID LIABILITY: INTEREST	Expenditure	Yes	No
	OVERTIME	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	POST RETIREMENT BENEFITS PAID	Expenditure	Yes	No
	PROVISION OF STAFF LEAVE	Expenditure	Yes	No
	SALARIES	Expenditure	Yes	No
	SALE OF LEAVE	Expenditure	Yes	No
	TELEPHONE ALLOWANCE	Expenditure	Yes	No
	TRAVELLING ALLOWANCE	Expenditure	Yes	No
	UIF	Expenditure	Yes	No
	WATERWORKS ALLOWANCE	Expenditure	Yes	No
	<b>REMUNERATION OF COUNCILLORS</b>			
	COUNCILLOR ALLOWANCE	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	TELEPHONE ALLOWANCE	Expenditure	Yes	No
	TRAVELLING ALLOWANCE	Expenditure	Yes	No
	<b>BAD DEBTS</b>			
	BAD DEBTS	Expenditure	No	No
	<b>DEPRECIATION</b>			
	DEPRECIATION	Expenditure	No	No

**REPAIRS & MAINTENANCE**

BUILDINGS	Expenditure	Yes	Yes
CHEMICALS	Expenditure	Yes	Yes
GENERAL MAINTENANCE	Expenditure	Yes	Yes
INTEREST PAID LANDFILL SITE	Expenditure	Yes	Yes
MAINTENANCE BUILDINGS	Expenditure	Yes	Yes
MAINTENANCE CEMETARY	Expenditure	Yes	Yes
MAINTENANCE COMMONAGE/AIRFIELD	Expenditure	Yes	Yes
MAINTENANCE CONSUMER CONNECTION	Expenditure	Yes	Yes
MAINTENANCE GENERAL EQUIPMENT	Expenditure	Yes	Yes
MAINTENANCE NETWORK/PUMPS/DAMS	Expenditure	Yes	Yes
MAINTENANCE STREET LIGHTING	Expenditure	Yes	Yes
MAINTENANCE STREETS/ROADS	Expenditure	Yes	Yes
MAINTENANCE VEHICLES	Expenditure	Yes	Yes

TOOL/ACCESSORY MAINTENANCE	Expenditure	Yes	Yes
WATER PURIFICATION	Expenditure	Yes	Yes
<b>FINANCE COSTS</b>			
DBSA LOAN ELECTRIFICATION	Expenditure	No	No
DBSA LOAN VEHICLE FLEET	Expenditure	No	No
DBSA LOANS	Expenditure	No	No
FINANCE CHARGES DBSA	Expenditure	No	No
INTEREST	Expenditure	Yes	Yes
INTEREST BANK ACCOUNT	Expenditure	Yes	Yes
REDEMPTION	Expenditure	No	No
<b>BULK PURCHASES</b>			
BULK WATER PURCHASE	Expenditure	Yes	Yes
ESKOM BULK PURCHASE	Expenditure	Yes	Yes
FREE BASIC ELECTRICITY	Expenditure	Yes	Yes
<b>CONTRACTED SERVICES</b>			
CONTRACTED SERVICES	Expenditure	Yes	Yes
<b>GRANTS &amp; SUBSIDIES PAID - OPERATING</b>			
ALL GRANTS AND SUBSIDIES PAID	Expenditure	No	No
<b>GENERAL EXPENSES</b>			
ADVERTISEMENT COSTS	Expenditure	Yes	Yes
ASSURANCE	Expenditure	Yes	Yes
AUDITORS COSTS	Expenditure	Yes	Yes
BANK COSTS	Expenditure	Yes	Yes
CASH SHORTAGES	Expenditure	Yes	Yes
CHEMICALS	Expenditure	Yes	Yes
CONSULTANT FEES	Expenditure	Yes	Yes
CONTRIBUTION DISTRICT MUNICIPALITY	Expenditure	Yes	Yes
COUNCIL AND WARD ACTIVITIES	Expenditure	Yes	Yes
DONATIONS	Expenditure	Yes	Yes
DROUGHT RELIEVE WATER PROGRAMME	Expenditure	Yes	Yes
DUMPING SITE	Expenditure	Yes	Yes
ENTERTAINMENT COSTS	Expenditure	Yes	Yes
EQUIPMENT	Expenditure	Yes	Yes
ESKOM MUNICIPAL PURCHASE	Expenditure	Yes	Yes
FUEL AND OIL	Expenditure	Yes	Yes
FUNERAL UNKNOWN/POVERTY PEOPLE	Expenditure	Yes	Yes
GRAVE YARD COSTS	Expenditure	Yes	Yes
HEALTH WORKERS	Expenditure	Yes	Yes
HERALD, SKILLS DEVELOPMENT MAYORAL	Expenditure	Yes	Yes
HIV/AIDS	Expenditure	Yes	Yes
INDIGENT SUPPORT	Expenditure	Yes	Yes
INSURANCE PAYBACK	Expenditure	Yes	Yes
INTERIM VALUATION COSTS	Expenditure	Yes	Yes
LABOURERS	Expenditure	Yes	Yes
LEGAL COSTS	Expenditure	Yes	Yes
LIBRARY PROJECTS	Expenditure	Yes	Yes
LOST BOOKS/MAGAZINES	Expenditure	Yes	Yes
MAYORAL ACTIVITIES	Expenditure	Yes	Yes
MEMBER FEES SALGA	Expenditure	Yes	Yes
MOTOR REGISTRATION	Expenditure	Yes	Yes
MOTOR VEHICLE REGISTRATION	Expenditure	Yes	Yes
MUNICIPAL SERVICES	Expenditure	Yes	Yes
NATIS (VEHICLE REGISTRATION)	Expenditure	Yes	Yes
NETWORK	Expenditure	Yes	Yes
NEW BOOKS	Expenditure	Yes	Yes
O & M (DWA EXP)	Expenditure	Yes	Yes
OFFICE EXPENDITURE	Expenditure	Yes	Yes





OPERATING LEASE ABSA	Expenditure	Yes	Yes
OPERATING LEASE CANON	Expenditure	Yes	Yes
OPERATING LEASE NASHUA	Expenditure	Yes	Yes
POSTAL COSTS AND TELEPHONE	Expenditure	Yes	Yes
PROGRAMME FOR DISABLED	Expenditure	Yes	Yes
PROMOTION AND TOURISM	Expenditure	Yes	Yes
RADIO AND VEHICLE LICENSES	Expenditure	Yes	Yes
RAILAGE AND TRAVELLING COSTS	Expenditure	Yes	Yes
RENTAL	Expenditure	Yes	Yes
RETURN PAYMENT	Expenditure	Yes	Yes
REVOLVING FUND	Expenditure	Yes	Yes
SECURITY CLOTHING	Expenditure	Yes	Yes
SETA LEVY/TRAINING	Expenditure	Yes	Yes
SOFTWARE LICENSE	Expenditure	Yes	Yes
SOLID WASTE DISPOSALS	Expenditure	Yes	Yes
SPATIAL DEVELOPMENT FRAMEWORK	Expenditure	Yes	Yes
SPECIAL NUMBER PLATES	Expenditure	Yes	Yes
SPORT ACTIVITIES	Expenditure	Yes	Yes
STATIONERY	Expenditure	Yes	Yes
SUBSCRIPTION FEES	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING	Expenditure	Yes	Yes
TELEPHONE – CELLPHONE	Expenditure	Yes	Yes
TEST	Expenditure	Yes	Yes
TREES AND PLANTS	Expenditure	Yes	Yes
UPGRADING OF CEMETARY	Expenditure	Yes	Yes
WATER SAMPLES	Expenditure	Yes	Yes
WOMEN AND CHILDREN	Expenditure	Yes	Yes
WORKMAN'S COMPENSATION	Expenditure	Yes	Yes
WREATHS AND MEDALS	Expenditure	Yes	Yes
YOUTH PROGRAMS	Expenditure	Yes	Yes

APPENDIX C

VIREMENT APPLICATION FORM

REQUESTED BY: .....

REQUEST DIRECTED TO: The Chief Financial Officer

DATE: .....

FINANCIAL YEAR: [2] [0] [ ] [ ] / [2] [0] [ ] [ ]

PLEASE EFFECT VIREMENT AS FOLLOWS:

FROM VOTE NUMBER: .....

FROM VOTE DESCRIPTION: .....

TO VOTE NUMBER: .....

TO VOTE DESCRIPTION: .....

AMOUNT: R.....

AMOUNT IN WORDS: .....

REASON OF VIREMENT: .....

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MANAGER REQUESTING VIREMENT MUST COMPLETE THE FOLLOWING QUESTIONS

1. Are the above votes within your directorate? [Y] [N]

If no, obtain the approval of the relevant Executive Director

NAME AND SIGNATURE: .....

DATE: .....

2. Has the total virement on the above votes exceeded the limit as disclosed in paragraph 6b of the Virement Policy  Y  N

3. Will the above virement cater to the approved outcomes/ output of the IDP or adjust service delivery targets, as set in the SDBIP, downwards? /  Y  N

4. Is the virement required to increase recurrent expenditure, such as leases?  Y  N

5. Will the virement affect the following line items and categories of expenditure:

- Employment Costs Category Y  N
- Departmental Charges Y  N
- Charge out Allocations Y  N
- Grant Expenditure Y  N
- Income Category Y  N

I hereby declare that I fully understand the contents of the Virement Policy and request that the above virement be approved.

MANAGER: ..... (signature)

NAME IN FULL: .....  
(print name)

DATE: .....

APPROVED BY CHIEF FINANCIAL OFFICER: .....

NAME IN FULL: .....  
(print name)

DATE: .....

CAPTURED BY: ..... (signature) DATE:

.....

CHECKED BY: ..... (signature) DATE:

.....

**WATER CONSERVATION AND WATER DEMAND MANAGEMENT POLICY  
ADOPTED BY COUNCIL ON 30 MAY 2019**



**THEMBELIHLE**

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

**WATER CONSERVATION AND  
WATER DEMAND MANAGEMENT  
POLICY**

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## **1. BACKGROUND**

Three Acts govern the development of a water demand management policy. These are the Water Services Act (Act 108 of 1997), the Municipal Systems Act (Act 32 of 2000) and the National Water Act, 1998 (Act No. 36 of 1998).

The Water Services Act (Act 108 of 1997) requires a Water Services Authority to develop and implement a policy which complies with the Act. The Act provides the guidelines for the setting of such a Policy. This Water Conservation and Water Demand Management Policy has been developed to comply with the Act.

The Municipal Systems Act governs the basic provision of services and affordability, while the National Water Act concerns the environmental, catchment and riverine aspects.

The policy reflects the particular priorities established for Thembelihle and takes into account the local conditions within which water services are delivered. The policy deals with both bulk and distribution aspects of water supply services.

Policy principles and objectives are set out in terms of the Legal and Regulatory contexts pertaining to the efficient use of water.

The vision of all water conservation and demand management endeavours should be the efficient and effective use of water by all and the minimisation of loss or wastage of water. Conservation is the efficient use and saving of water achieved through measures such as water saving devices, water-efficient processes, water demand management and water rationing.

Water demand management is a strategy to influence the water demand and usage of water in order to meet objectives like economic efficiency, environmental protection, sustainability of water supply and services and should be an integral part of the planning processes for management, water supply and the provisions of water services

The responsibility of the Municipality is to ensure the availability of water and it must do everything in its power to ensure a constant supply of water for use in the area under its jurisdiction and to create a water conservation and demand management culture between the service provider and users.

Therefore, this Policy determines a set of rules for the effective and efficient measures for water conservation and demand management.

## **2. DEFINITIONS**

**Basic water supply** - The prescribed minimum standard of water supply services necessary for the reliable supply of a sufficient quantity and quality of water to households, including informal households, to support life and personal hygiene.

**Consumer** - Any end user who receives water services from a water services institution, including an end user in an informal settlement.

**Development plan** - A water services development plan required in terms of the Water Services Act.

**Domestic water use** - Water use that is used predominantly for domestic purposes, including garden irrigation.

**Industrial use** - The use of water for mining, manufacturing, generating electricity, land-based transport, construction or any related purpose.

**Other water use** - All water use not defined as domestic, industrial and commercial water use.

**Person** - Includes a water services institution.

**Water services authority** - Any municipality, including a rural or district council responsible for ensuring access to water services.

**Water supply services** - The abstraction, conveyance, treatment and distribution of potable water, water intended to be converted to potable water or water for commercial use but not water for industrial use.

### 3. LEGISLATIVE CONTEXT

Although a number of Acts of Parliament refer to aspects concerning the supply of water to all consumers, it is essentially the Water Services Act, Act 108 of 1997, (the Act) which provides the foundation for serious water conservation interventions.

The key elements of those sections impacting on water conservation are:

- Conditions for provision of water services;
- Industrial use of water;
- Norms and standards for tariffs;
- Duty to provide access to water services;
- Contents of draft water services development plan;
- By-laws;
- Procedure for making regulations;
- General powers of Minister;  Delegation of powers; and
- Offences.

The above Sections of the Water Services Act provide the mandate for water conservation and water demand management.

The most relevant clauses of the above Act impacting on water conservation are extracted, in chronological order:



#### **Clause 4 Conditions for provision of water services -**

- (1) Water services must be provided in terms of conditions set by the Water services provider.
- (2) These conditions must-
  - (b) accord with conditions for the provision of water services contained in bylaws made by the water services authority
  - (c) provide for -
    - (iv) the circumstances under which water services may be limited or discontinued;
    - (v) procedures for limiting or discontinuing water services; and
    - (vi) measures to promote water conservation and demand management

#### **Clause 7 Industrial use of water -**

- (4) No approval given by a water services authority under this section relieves anyone from complying with any other law relating to-
  - (a) the use and conservation of water and water resources;

#### **Clause 10 Norms and standards for tariffs –**

- (1) The Minister may, with the concurrence of the Minister of Finance, from time to time prescribe norms and standards in respect of tariffs for water services.
- (2) These norms and standards may-
  - (d) provide for tariffs to be used to promote or achieve water conservation.

#### **Clause 11 Duty to provide access to water services -**

- (1) Every water services authority has a duty to all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water services.
- (2) This duty is subject to-
  - (e) the duty to conserve water resources;
  - (g) the right of the relevant water authority to limit or discontinue the provision of water services if there is a failure to comply with reasonable conditions set for the provision of such services.

**Clause 12 Contents of draft water services development plan –**

Every draft water services development plan must contain details-

(f) of existing and proposed water conservation, recycling and environmental protection measures.

**Clause 21 Bylaws -**

(1) Every water services authority must make bylaws which contain conditions for the provision of water services, and which must provide for at least-

(g) the prevention of unlawful connections to water services works and the unlawful or wasteful use of water.

(2) The Minister may provide model bylaws to be used as a guide for water services authorities.

**Clause 71 Procedure for making regulations -**

(1) The Minister must, before making regulations under this Act-

(d) on request, report on the extent to which a specific comment or comments have been taken into account, or, if a comment was not taken into account, provide reasons therefore.

**Clause 72 General powers of Minister -**

(1) The minister may-

(d) prescribe measures to be taken by water services institutions to conserve water;

**Clause 73 Delegation of powers -**

(1) Subject to subsection (2), the Minister may in writing delegate any power vested in him or her by or under this Act.

(2) The Minister may not delegate the power-

(a) to make regulations;

(e) to prescribe policy;

**Clause 82 Offences -**

(1) No person may-

(a) continue the wasteful use of water after having been called upon to stop by the Minister, a Province or any water services authority;

**Clause 83 State bound by Act –**

This Act binds the State and its organs.

## **4. LONG-TERM POLICY OBJECTIVES**

It is crucial that the municipality uses draft a progressive new Water Demand Management Policy that will reflect the scarcity and precious nature of water in the region.

It is presumed that such a new policy will exceed the goals of the earlier policy.

The above considerations are important to address the long-term goals for the provision of potable water to Cape Town and to ensure the fundamental objectives below:

- Equity - Universal access to quality water supplies, with a guaranteed minimum level of service, through a metered connection.
- Sustainability - To ensure an acceptable level of assured water supply for future generations.
- Affordability - To ensure that water services remain affordable.
- Encourage, educate, promote and where appropriate legislate the optimal use of water.
- Maximise the use of alternative sources such as wastewater effluent, greywater, rain water tanks, well-points and boreholes, etc.
- Minimise the loss of water.
- Ensure wise use of water by the municipality.

## **5. LIMITATIONS**

In view of the context outlined above, this water conservation and demand management policy has a number of limitations:

- Absence of an Integrated Development Plan. This water conservation and demand management policy would form part of the Integrated Water Development Plan in terms of the Water Services Act. This in turn forms part of the municipality's Integrated Development Plans and therefore needs to form a building block and integral part of the broader policy plans for municipality.
- Absence of a services delivery strategy. The absence of an overall framework for service delivery in an integrated manner within the municipality limits present draft policy.
- While these limitations may influence the development of the policy, it is considered imperative that this process be commenced as a matter of urgency, given the looking risk of significant water shortages in this region.

## **6. POLICY PRINCIPLES**

The following broad principles will inform the development of this policy and future implementation plans:

- Water is a strategic, precious and scarce resource.
- The waste of water shall not be tolerated.
- All consumptive water use shall be measured and accounted for.

The municipality may impose measures to limit, discontinue or restrict the use of water for water conservation purposes, drought and other reasons.

## **7. SITUATIONAL EVALUATION**

The Head of Department responsible for services in consultation with the Municipal Manager must establish a mechanism to monitor and continuously report on the status of the water demand.

The Head of Department must ensure that there is an efficient information system to:

- a) Record and provide data for water management;
- b) The quality and quantity of water in the various water resources;
- c) The use of water resources;
- d) Register of water user authorisations;
- e) Water works which might fail or has failed;
- f) Record information about a drought which has occurred or which seems imminent;
- g) Identification and monitoring of and usage by bulk water and high water consumers;
- h) Record and provide data for the development, enhancing or monitoring of this Policy; and
- i) Any matter connected with water, water infrastructure, water resources and demand management that may serve as an early warning system to real or potential hazards effecting service delivery, water conservation and demand management.

## **8. WATER MANAGEMENT/AUDIT**

For effective water demand management, the Municipality may require that:

- a) Bulk water users (those using more than 2 400 kl/annum (Calculated at 200kl/month), including those comprising multiple dwelling units, to undertake a monthly and annual water audit. The final annual audit must be carried out no later than two weeks after the end of each financial year of the Municipality. The audit report must be submitted to the Head of Department responsible for municipal services.
- b) The audit must detail the following

- i. Amount of water used during a financial year; ii. Amount paid for water for the financial year;
- iii. Comparison of the above factors with those reported in each of the previous two years (where available);
- iv. Estimate of consumption by various components in use at the various seasons (in season, peak season, peak week);
- v. Differentiation between the different types of users (domestic, business, industry, farming) and their consumption;
- vi. Annual consumption by the fire department and
- vii. Number of occupants/people living on the premises including the workers (permanent staff).

## 9. WATER RESTRICTIONS AND CONSERVATION

1. The Municipality may prohibit, restrict or limit the provisions of water supply services or consumption of water.
2. The following water restrictions, or additional or other measures, shall be applied, having regard to the state of dams which are the main water suppliers for Thembelihle Local Municipality.
3. Where own water other than municipal water, from a borehole or reservoir or grey water is used, the appropriate notice must be displayed on the premises, e.g. "OWN WATER/BOREHOLE WATER".
4. Stages of the drought:
  - 4.1 Dams volume less than 60%:
    - 4.1.1 Watering of gardens may only be undertaken for two hour per day between 18:00–20:00, two days per week.
    - 4.1.2 A fine in terms of Section 75A of the Systems Act, being a 50% penalty on tariffs for monthly consumption in excess of 20 kilolitres per month per household connection, excluding indigent households.
    - 4.1.3 At sports fields only the watering of cricket pitches, golf course greens and bowling greens is permitted for two hours per day, twice per week, unless own source of water is used.
    - 4.1.4 No hosing of roofs and driveways and no washing of vehicles with a garden hose will be permitted.
    - 4.1.5 That the restriction referred to in 4.1.4 above not be applicable to any *bona fide* and full-time commercial enterprises whose business it is to wash cars.
    - 4.1.6 An effective awareness and education campaign processes must be conducted. The public awareness campaign must be intensified. A specific service provider with the relevant experience can be identified to fulfill this function. Where capacity does not exist within the Municipality an outside entity can be temporarily appointed.

- 4.1.7 That water restrictions become effective immediately after being advertised in the media, and in public places.
- 4.1.8 Consumers must be closely monitored and those that do not heed the restrictions identified. A specific person, with the relevant experience, must be identified to fulfill this function. Where capacity does not exist within the Municipality an outside entity can be temporarily appointed.
- 4.1.9 Maintenance teams must be made available to address leakages on even in indigent households.
- 4.1.10 A service must be made available - call centre number - where contraventions can be reported and followed up immediately by the relevant department and/or Law Enforcement.
- 4.1.11 Any person who contravenes these restrictions is guilty of an offence and is, upon conviction, liable to a fine as published in the annual tariffs list.
- 4.2 Dam volume less than 40%:
  - 4.2.1 No watering of gardens using municipal water.
  - 4.2.2 A fine, being a 100% penalty on tariffs for monthly consumption in excess of 20 kilolitres per month per household connection.
  - 4.2.3 No hosing of structures, roofs and driveways and no filling of swimming pools.
  - 4.2.4 Stricter policing and implementation of a complaint line and whistle blowers facility.
  - 4.2.4 Consultation with bulk consumers in the industrial and business sectors as identified through the billing system.
  - 4.2.6 Installation of flow restrictors to non-compliant consumers to water restrictions.
- 4.3 Dam volume less than 25%:
  - 4.3.1 As mentioned in paragraph 4.2 above.
  - 4.3.2 A fine, being a 200% penalty on consumption greater than 20 kilolitres per month per household connection.
  - 4.3.3 Consumers to monitor their consumption to be 15 month, which amounts to the UN standard of 65l/s/person/day.
  - 4.3.4 Installation of flow restrictors to non-compliant consumers to water restrictions.
  - 4.3.5 Media to be utilized extensively for public awareness.

- 4.3.6 Other users, industries, businesses and the entertainment industries to reduce consumption by 40% of the average use over the previous 6 months.
  - 4.3.7 The Provincial and the National Disaster Management Centers are to be alerted when the dam levels reach 25% and to prepare for possible intervention if an augmentation scheme is not at implementation readiness.
  - 4.3.8 The district municipality is to be requested to act as the primary responsible authority responsible for the co-ordination and management of the local disaster, refer A:54(1) (b) of the Disaster Management Act , 2002, (Act 57 of 2002).
  - 4.3.9 A formal joint operations committee (JOC), to be established at the district municipality, weekly meetings with all the relevant stakeholders to coordinate emergency intervention actions needed.
  - 4.3.10 The district municipality is to alert the National Defence Force as well as the South African Police Force.
  - 4.3.4 That additional control measures be implemented as soon as the volume of the supplying rivers decreases below 300l/s and that the Municipal Manager be authorized to execute any further measures in consultation with the Executive Mayor.
5. The requirements of section 21A of the Municipal Systems Act, Act 32 of 2000, must be followed.

## **10 WATER DEMAND MANAGEMENT**

1. The Municipality may in general or in emergencies by public notice, require any owner or consumer to comply with good water conservation and demand management practices as set out hereunder:
  - a) No person may without prior written authority from the Head of Department responsible for municipal services water a garden, park, golf course or other grassed area using potable water, between the hours of 06:00 and 16:00.
  - b) Where a hosepipe is used to irrigate a garden, park, or sports field from a potable water source a controlling device such as a sprayer shall be attached to the hose end, depending on the dam levels and river flows.
  - c) A hosepipe used for washing vehicles, boats, and caravans must be fitted with an automatic self-closing device, depending on the dam levels and river flows.
  - d) Automatic top up systems using a float valve fed from a potable water source to supply swimming pools and garden ponds are not allowed.
  - e) Commercial car wash industries must recycle a minimum of 50% of the water used in operations.
  - f) Wash-hand basins provided in public facilities must be fitted with demand type taps.

- g) Showers provided at public facilities must be fitted with demand type valves.
  - h) Potable water may not be used to dampen building sand and other building material to prevent it from being blown away.
  - i) Stand pipe draw-off taps must be at a height of at least 450mm, measured above ground level.
  - j) Water closet cisterns may not exceed 9,5 liters in capacity and such cistern must be of dual flushing mechanisms.
  - k) No automatic cistern or tipping tank may be used for flushing a urinal.
  - l) Within two years after the promulgation of this Policy all automatic flushing cisterns fitted to urinals, must be replaced with either manually operated systems or nonmanual apparatus which causes the flushing device to operate after each use of such urinal.
  - m) Terminal water fittings installed outside any buildings other than a residential dwelling must-
    - i. incorporate a self-closing device;
    - ii. have a removable handle for operating purposes;
    - iii. be capable of being locked to prevent unauthorized use; or
    - iv. be of a demand type that limits the quantity of water discharged in each operation;
  - n) Each new dwelling must be fitted with a 500l tank to collect rain water.
  - o) Turnaround time for repairing water leaks must be reduced to 2hrs.
2. Additional measures or practices, as deemed necessary may be implemented.
  3. Infrastructure Maintenance - Installation of isolation valves in the network, rezone the areas for maintenance purposes.

## **11. PLANNING**

1. The Head of Department responsible for municipal is responsible for the administration of the Water Services By-law and this Policy and must set up a multipurpose task team of Heads of Departments (or their duly authorised delegates) to develop programmes and establish frameworks:
  - a) An internal Drought Management Task Team must be initiated, under the chairmanship of the Department: Municipal Services, to include the CFO and the Municipal Manager and the meetings must be minuted.
  - b) Council is to convene to take cognizance of the situation and discuss the appropriate actions.



- c) Thembelihle Disaster Management Unit must inform District Disaster Management of the situation and monthly meetings must be held to co-ordinate and exchange information.
- d) When dam levels are at 40% and below, the options available to augment the raw water supplies must be carefully considered and the necessary planning must commence immediately to implement these as an emergency measure if required. The financial implications must be assessed and cost estimations compiled.
- e) Emergency procedures must be followed, where legislation permits it e.g. the procurement of goods and services, appointment of personnel/service providers.
- f) for the identification, development and management of effective and efficient water conservation measures;
- g) and set broad principles and appropriate criteria and mechanisms for the implementation and enforcement thereof;
- h) the required organisational capacity and working relationships between the different role players and the financial implication and budget allocations;
- i) to educate and raise awareness within the Municipality and the community, establish successful communication and co-operation between consumers, the Municipality and other spheres of government by implementing an effective communication programme as an ongoing activity;
- j) for proper risk management and effective measures to minimise and identify fraudulent activities relating to the scope of this Policy and the instituting of administrative sanctions and disciplinary measures against transgressors and legal proceedings;
- k) for recovering of money owed and the cost involved in the execution of the programmes;
- l) for short, medium and long term solutions-
  - i. designed to achieve sustainable reductions in water use;
  - ii. changes to the use of water with the purpose of gaining greater water use efficiency;
  - iii. the integration of the approved strategies into other water resources management functions;
  - iv. new and better management approaches, inter alia, for-
    - minimising the waste of and increasing the efficiency of water use by adopting water saving technologies by the Municipality and consumers;
    - removal of alien vegetation that negatively impact on catchment areas and rivers;
    - leak detection programmes;
    - any other measures to achieve the desired outcome.
  - v. for specific or in general water uses, conditions must be attached to the general authorisations and licences issued by

- specifying management practices and general requirements for the different water uses and conservation measures;
- by requiring, when applicable, the monitoring and analysis of and reporting and imposing a duty to measure and record aspects of the water uses;
- specifying measuring and recording devices to be used;
- requiring the preparation and approval of and adherence to water management plans.

## **12. USE OF TREATED WASTEWATER FOR INDUSTRIAL USE**

The following can be made with respect to the use of treated wastewater for industrial use.

- Undertake a detailed survey of all the industries, and consumers with irrigation potential, where after this option should be re-assessed.
- Carry out a further study to assess the quality required by the industries and the quality produced at the wastewater treatment works.

## **13. WATER RESTRICTIONS**

The following can be made with respect to the water restrictions.

- Consider the application of a separate water tariff, to be applied during times of water restrictions.
- Ensure the continued equitable, fair and consistent application and monitoring of the existing water restrictions regulations.

## **14. IMPLEMENTATION AND MONITORING**

This policy will be implemented by the Director: Corporate Services and effective once approved by Council.

## **15. COMMUNICATION**

This policy will be communicated to all municipal residents using the full range of communication methods available to the municipality.

## 16. POLICY REVIEW

This policy will be reviewed annually and revised as necessary.

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# THEMBELIHLE

LOCAL MUNICIPALITY  
PLAASLIKE MUNISIPALITEIT  
U-MASIPALA WASEKUHLENI

# RISK MANAGEMENT POLICY

APPROVED 30 MAY 2019

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## INTRODUCTION

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Thembelihle Local Municipality environment.

Risk is inherent in all academic, administrative and business activities. Every member of the Thembelihle community continuously manages risk. Formal and systematic approaches to managing risk have evolved and they are now regarded as good management practice.

As a consequence, Thembelihle acknowledges that the adoption of a strategic and formal to risk management will improve decision-making, enhance outcomes and accountability.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in Thembelihle activities to maximize opportunities and minimize adversity. Effective risk management requires:

- A strategic focus;
- Forward thinking and active approaches to management;
- Balance between the cost of managing risk and the anticipated benefits; and
- Contingency planning in the event that mission critical threats are realized.

Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

## SCOPE

This policy is not intended to duplicate existed formal and documents risk management processes. The policy is to apply to Thembelihle departments and section, who do not currently have formal risk management processes in place and who wish to undertake significant activities within the course of their business.

Routine activities are excluded from this policy unless mandated by other policies.

## KEY DEFINITIONS

Risk management definitions can be found in the definitions section of the risk management standard. The key definitions for this policy follow:

**Risk** - The chance of something happening that will have an impact on the achievement of Thembelihle's objectives. Risk is measured in terms of consequences and likelihood.

**Risk Assessment** - The overall process of risk analysis and evaluation.

**Risk Management** - The culture processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Municipality environment.

**Risk Management Process** - The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

# **RESPONSIBILITY FOR RISK MANAGEMENT**

## ***Accounting Officer***

The accounting officer is accountable for ensuring that a risk management system is established, implemented and maintained in accord with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the accounting officer.

## ***Audit Committee***

The audit committee will be accountable for the oversight of the processes for the identification and assessment of the general risk spectrum, reviewing the outcome of risk management processes, and for advising the Council as necessary.

## ***Directors***

Directors are accountable for strategic risk management within areas under their control including the devolution of the risk management process to operational managers.

Collectively the Risk Committee is responsible for:

- The formal identification of strategic risks that impact upon the institution's mission;
- Allocation of priorities;
- The development of strategic risk management plan; and
- Risk Committee will review against risk management plans and will communicate this to the Audit Committee and the institution.

## ***Managers, Section Heads and Research Manager***

Managers, Section Heads and Research Manager accountable to the Accounting Officer via their line Directors for:

- Implementation of this policy within their respective areas of responsibility;
- Annual reporting on the status of the risk register, insofar as it impacts on their respective responsibilities, as part of the annual planning and review cycle;
- Ongoing maintenance of the risk register insofar as it impacts on their respective responsibilities; and
- Ensure compliance with risk assessment procedures.

## ***Chief Financial Officer***

In addition to the function as a Head of the directorate, this directorate will be accountable for the Institution insurance portfolio and will ensure that a risk management plan is completed for each commercial venture. Advice will be sought, as required, from the Internal Audit Manager on risk management issues in relation to these matters’.

### ***Director Corporate Services***

In addition to the function as a head of the directorate, this directorate will remain accountable for the occupational health and safety and workers compensation portfolio, procedures and administration. Advice will be sought, as required, from the Internal Audit Manager on risk management issues in relation to these matters.

### ***Internal Audit Manager***

The internal audit manager will be accountable through the Audit Committee for the implementation of this policy in key areas of the Institution, maintaining a programme for risk reassessment and a Risk Register for the Institution. Key audit areas will flow from the risk management plan developed by the Risk Committee. The internal audit manager will provide advice to the relevant Directors on risk management matters pertaining to the institution “in line with IA’s audit objectives. Audit plans will be driven by risk assessment processes and procedures.”

### ***All Employees***

Every staff member of the Thembelihle is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

There is legislation in place for the management of specific risks such as Occupational

Health and Safety and, Equal Opportunity and Research Ethics. The Risk Management Policy does not relieve the department’s responsibility to comply with other legislation. Training and facilitation will, in the first instance, be assisted through an assessment process, by internal audit. IA will remain independent in this process.

## **GENERIC SOURCES OF RISK AND THEIR AREAS OF IMPACT**



Identifying source of risk and areas of impact provides a framework for risk identification and analysis. A generic list of sources and impacts will focus risk identification activities and contribute to more effective risk management.

### ***Generic Source of Risk***

Each generic source has numerous components, any of which can give rise to a risk. Generic sources of risk include:

- Commercial and legal relationships including but not limited to contractual risk, product liability, professional liability and public liability.
- Economic circumstances. These can include such sources as currency fluctuations, interest rate changes,
- Human behaviour such as riots, strikes, sabotages.
- Natural events. These can include fire, water damage, earthquakes, vermin, disease and contamination.
- Political circumstances such as legislative changes or changes in government policy that may influence other sources of risk.
- Technology and technical issues. Examples of this include innovation, obsolescence and reliability.
- Management activity and control such as poor safety management, the absence of control and inadequate security.
- Individual Activity including, misappropriation of funds, fraud, vandalism, illegal entry, information misappropriation and human error.

### ***Areas of Impact***

A source of risk may impact on one area only or several areas. Areas of impact include:

- Asset and resource base including personnel,
- Revenue ,
- Cost both direct and indirect,
- People,
- The community,
- Performance,
- Timing and schedule of activities,
- The environment,
- Intangibles such as reputation, goodwill and the quality of life, and
- Organizational behaviour.

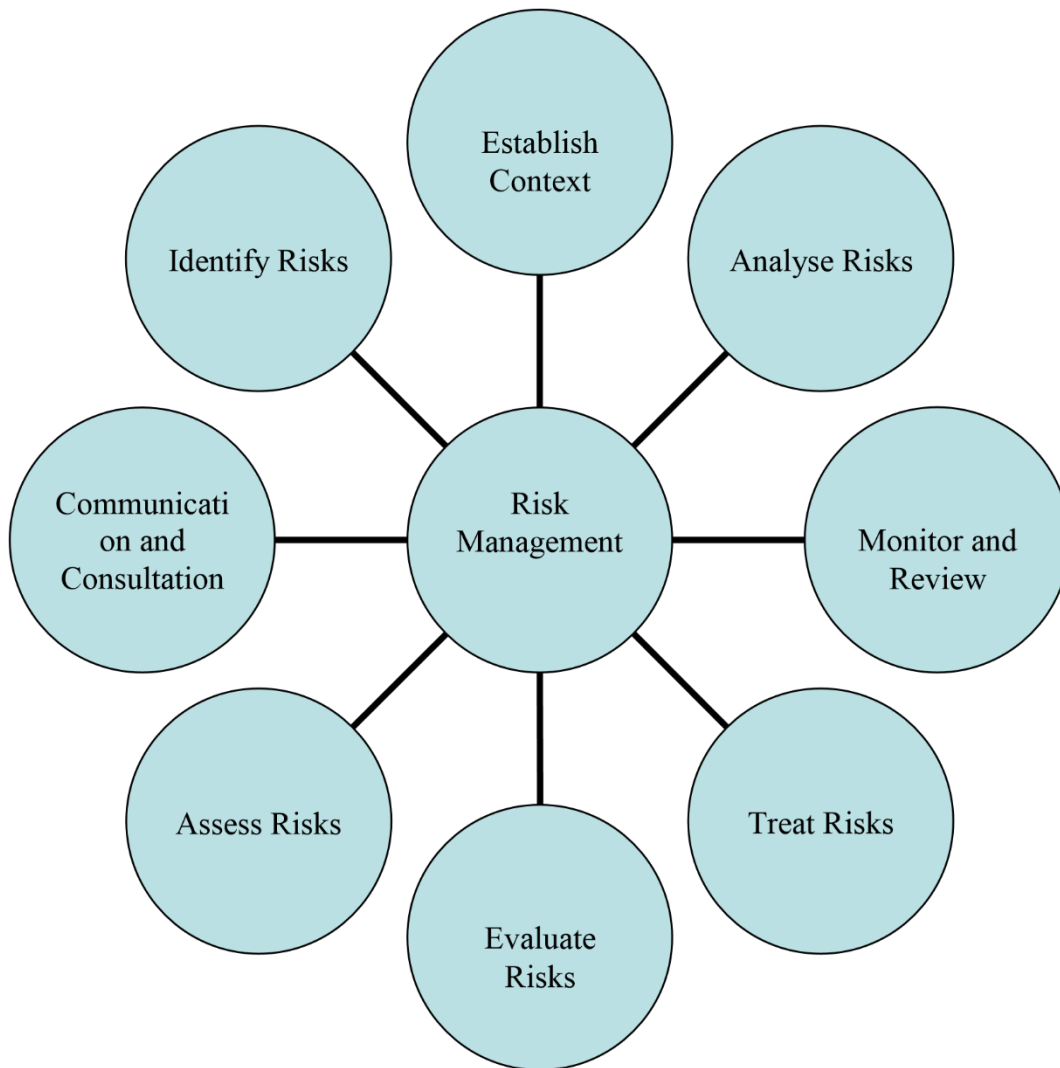
## **PROCEDURE FOR RISK MANAGEMENT**

## ***Describing the Procedure***

Thembelihle Municipality will maintain procedure to provide with a systematic view of risk faced in the course of our municipality activities. This will require the institution to:

- **Establish a context.** This is the strategic, organizational and risk management context against which of the risk management process in the Thembelihle will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- **Identify Risks.** This is the identification of what, why and how events arise as the basis for further analysis.
- **Analyze Risks.** This is determination of existing controls and the analysis of risks in terms of consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequences and like hood are combined to produce an estimated level of risk.
- **Evaluate Risks.** This is a comparison of estimated risk levels against pre- established criteria. This enables risks to be ranked and prioritized.
- **Treat Risks.** For higher priority risks, the department is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- **Monitor and Review.** This is the oversight and review management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- **Communication and Consultation.** Appropriate communication and consultation with internal external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

## ***Schematic Diagram of Procedure***



## **COMMUNICATION**

The policy and related information must be communicated to all municipal employees and residents using the full range of communication methods available (e.g. the intranet, emails, etc.) to the municipality.

## **IMPLEMENTATION AND MONITORING**

The approval of this policy rest with the Thembelihle Local Municipality Council on the recommendations of the Audit Committee.

## **POLICY REVIEW**

This policy shall be reviewed and amended from time to time once circumstances change and as the effect of its application become apparent

## **VIOLATION AND ENFORCEMENT**

The violation of this policy may lead to disciplinary processes taken against the offender.

## RISK IDENTIFICATION TEMPLATE

	AREAS OF IMPACT						
Assets	Revenue	Cost	People	Community	Performance	Timing	Environment
Commercial and Legal							
Economic							
Human Behaviour							
Natural Events							
Political							
Technology							
Management Activity and Control							
Individual Activitiy							

## RISK DEFINITION AND CLASSIFICATION

Qualitative data and risk expressions measure likelihood and impact of any identified risks. In some circumstances this may not be possible nor efficient or effective. Therefore a qualitative approach is acceptable.

LIKELIHOOD		
Level	Descriptor	
A	Almost Certain	Is expected
B	Likely	Will probably
C	Possible	Might occur

D	Unlikely	Could occur
E	Rare	May occur

IMPACT		
Level	Descriptor	
1	Insignificant	Low financial impact on
2	Minor	Medium financial capability,

3	Moderate	High financial capacity, m
4	Major	Major financial capability,
5	Catastrophic	Mission critical disruption community

## RISK TREATMENT OPTIONS

### Actions to Reduce or Control Likelihood

These can include but are not limited to:

- Review and compliance programme;
- Contract conditions;
- Formal reviews of requirements, specifications, design, engineering and operations; •  
Inspection and process controls;
- Investment and portfolio management;
- Project management;
- Preventative maintenance;
- Quality assurance, management and standards;
- Research and development; technological development;
- Structured training and other programmes;
- Effective governance processes;
- Strategic, operational and tactical planning processes;
- Supervision;
- Testing;
- Organizational arrangement; and
- Technical controls.

### Procedure to Reduce or Control Consequence

These can include but are not limited to:

- Contingency planning ;
- Contractual arrangements;
- Contract conditions;
- Design Features;
- Business continuity and disaster recovery plans;
- Engineering and structural barriers;
- Fraud control planning;
- Minimizing exposure to source of risk;
- Portfolio planning;

- Pricing policy and controls;
- Separation or relocation of activities and resource;
- Succession planning;
- Insurance;
- Public relations; and • Ex Gratia payments.

## **RISK MANAGEMENT DOCUMENTATION**

To manage risk properly, appropriate documentation is required. The staff members conducting or accountable for the activity shall in the first instance conduct the risk assessment and complete the documentation. The risk assessment and documentation is to be reviewed and accepted by the manager or next in line supervisor of the section conducting or accountable for the activity. Where technical expertise or central authority is required, the risk assessment will also be reviewed and countersigned by that Head.

Departments are required to maintain risk register insofar as risk impact on their respective responsibilities. Information from these register is to be given to the Internal Audit Manager, who will develop and maintain a consolidated wide risk register. As a minimum, the risk register, treatment schedule and action plan will be maintained. Specimen of these documents follow and they be made available in electronic format.

For each risk identified, risks register records:

- Directorate/ sub section;
- Link to objectives;
- Risk event / potential;
- Risk category
- Impact and likelihood;
- Inherent risk
- Risk mitigation / description internal control
- Perceived Control Effectiveness
- Residual Risk
- Risk owner
- Action to improve management of the risk
- Action owner

A risk treatment and action plan documents the managerial controls to be adopted

and contains the following information:  Who has responsibility for the implementation of the plan;

- What resources are to be used;
- Budget allocation;
- Implementation timetables; and
- Details of the control mechanism; and
- Frequency of review of compliance with the treatment plan.

## RISK REGISTER TEMPLATE

No.	Directorate	Link to Objective	Risk Category	Impact	Likelihood	Inherent Risk	Risk Mitigation	Perceived Control Effectiveness	Residual Risk	Risk Owner

## RISK TREATMENT SCHEDULE AND PLAN

Date of Review ..... Compiled By ..... Date .....

Reviewed By ..... Date ..... Function/Activity .....

The risk in priority order from risk register	Possible treatment options	Preferred options	Risk rating after treatment	Result of cost benefit analysis A: Accept B: Reject	Person responsible for implementation of option

## RISK ACTION PLAN

Item
Reference
Risk



Summary – Recommended Response and Plan

Action Plan

1. Proposed Actions

2.

Responsibilities:

Monitoring Officer:

Information Contact:

Related Policies: