

BUDGET RELATED POLICIES

MATJHABENG LOCAL MUNICIPALITY



SUPPLY CHAIN MANAGEMENT POLICY 2016/2017 FINANCIAL YEAR

Index

Page 3-9	Chapter 1: Definitions
Page 10-14	Chapter 2: Introduction, purpose and objectives
Page 15-25	Chapter 3: Supply Chain Management System(Demand, Acquisition, Logistics, Disposal, Risk and Performance Management)
Page 25-37	Chapter 4: Institutional Arrangements(Oversight role of council, Role of the Accounting Officer, Role of the CFO, Bid committees)
Page 38-40	Chapter 5: Threshold values for acquisitions, approval authorities and Exemptions from bidding requirements.
Page 40-46	Chapter 6: Disposal of Municipality's Assets
Page 47-53	Chapter 7: Register for accredited prospective service providers
Page 53-56	Chapter 8: Preferences for Acquisitions
Page 56-57	Chapter 9: General Directives
Page 57-64	Chapter 10: Invitation of written price quotations and bids
Page 64-71	Chapter 11: Lodging and opening of offers
Page 71-74	Chapter 12: Preparation of quotation and bid reports
Page 74-79	Chapter 13: Consideration of offers
Page 79-82	Chapter 14: Administration and Management of Contracts
Page 82-94	Chapter 15: Standard terms and conditions of contract
Page 94-101	Chapter 16: Ethics and combating fraud and corruption in SCM

CHAPTER 1 DEFINITIONS

1.1 In this Code, unless the context of a particular tender, contract or order indicates otherwise, a word or expression to which a meaning has been assigned in the Act or the regulations has the same meaning as in the Act or regulations, and:

"Acceptance of an offer" means awarding a contract to a supplier in response to a tender or price quotation submitted by that supplier;

"Accredited supplier" means a prospective supplier whose details are recorded in the Register at the time when the Municipality invites offers;

"Acquisition" means a process of preparing, soliciting, negotiating and concluding a contract for the benefit and on behalf of the Municipality for –

- (a) the acquisition of goods, services and the execution of work or any combination thereof;
- (b) the acquisition of capital assets;
- (c) the acquisition of rights relating to any of the above matters;

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

"administration" in relation to the Municipality, means the Municipal Manager and other employees of the Municipality;

"asset management unit" means the organisational unit within the department responsible for financial services that was assigned the responsibility for asset management;

"asset utilisation management" means is the systematic process of operating, preserving/maintaining and upgrading/restoring assets cost-effectively to meet and continue meeting predetermined standards, including regular performance of condition assessments of assets and reporting there-on and estimating the annual amount required to maintain and preserve assets at the condition level originally established for those assets;

"bid" means a written offer for the supply of goods to, the execution of work for or the rendering of a service to the Municipality the value of which exceeds R 200,000 (VAT inclusive) submitted on the official bid documents forming part of an invitation to bid or a request for proposals which invitation has been dealt with in accordance with the requirements of the general terms, conditions and procedures contained in, or any special terms, conditions and procedures issued in terms of, the official bid documents and this Code and has been advertised, unless specifically determined otherwise by the Municipality and includes a "tender";

"bid committee" means the appropriate committee contemplated in Chapter 4 of this Code;

"black-empowered enterprise" means an enterprise in which at least 25,1% of the equity is owned by **Black people**;

"black-owned enterprise" means an enterprise in which at least 50,1% of the equity is owned by **Black people**;

"capacity" in relation to a supplier, means the ability of the supplier concerned in terms of the availability to her/him, of the human and financial resources, expertise and administrative

infrastructure to execute the contract concerned at the required standard and within the prescribed or agreed time;

“capital asset” means non-consumable movable and immovable property, including land and improvements thereon, of the Municipality;

“certificate of satisfactory execution” means a certificate issued and signed by a departmental head or the Municipal Manager that a specific contract or part of a specific contract has been completed satisfactorily and in accordance with the relevant contract and order;

“closing time” in relation to offers means the date and hour specified in the invitation for the receipt of offers;

“combative practice” includes, but is not limited to –

- (a) suggesting that fictitious lower quotations have been submitted;
- (b) refer to non-existent competition;
- (c) exploit errors in price quotations/bids; and
- (d) soliciting offers from suppliers whose names appear on the Register for Tender Defaulters;

“contract” means the agreement which results from the acceptance of an offer whether or not the parties formalised their agreement by means of negotiation and signing of a single document;

“contractor” means any person whose offer has been accepted and includes a supplier;

“control” in relation to a claim for preference based on ownership of equity in the business of a supplier, means to have and to exercise legal authority to manage the assets, goodwill and daily operations of the business concerned and the active and continuous exercise of meaningful managerial authority in determining the policies of the business and directing its operations;

“delivery” means delivery or completion in compliance with the conditions of the relevant contract or order;

“delivery into store” means delivered and unloaded in the specified store or depot or on the specified site in compliance with the conditions of the relevant contract or order, the contractor bearing all risks and charges involved until the supplies are so delivered and a valid receipt is obtained;

“departmental head” in relation to the Municipality, means any employee of the Municipality who is directly accountable to the Municipal Manager and has been appointed as departmental head, and includes any person lawfully acting in her/his stead or under her/his instructions;

“disability” in respect of a person, means a permanent impairment of a physical, intellectual or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being;

“disposal” means –

- (a) the process of preparing, soliciting, negotiating and concluding a contract for the alienation of an asset by means of–
 - (i) sale, including the transfer of ownership in the asset concerned;

- (ii) lease which does not include the transfer of ownership in the asset concerned;
 - (iii) donation, including the transfer of ownership in the asset concerned; and
- (b) the destruction of an obsolete, redundant or unserviceable asset

and “**dispose**” has a similar meaning;

“**execution of work**” means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure and includes –

- (a) the construction, alteration, erection, demolishing, repair, maintenance or refurbishment and commissioning of any building, part of a building or similar structure;
- (b) the laying, installation, diversion, repair, maintenance, cleaning or removal and commissioning of any pipe, cable, pump, dam, tank, reservoir, borehole or other infrastructure used to provide or in connection with the provision of municipal services;
- (c) the construction, rebuilding, resurfacing, diversion, maintenance or repair and commissioning of any street, road, parking area, culvert, storm water drain or pavement;
- (d) the installation, alteration, removal, maintenance or replacement and commissioning of any lifts, electrical wiring, plugs and switches, plumbing, geysers, wash basins, substations, toilets and urinals within or outside a structure owned or under the control, of the Municipality;
- (e) the installation, repair, maintenance, upgrading and replacement and commissioning of any computer, network cabling and channelling, servers, printers, computer soft ware, routers, modems and like information technology hardware, photocopiers, facsimile machines, photocopying equipment, telephones and telephone systems and telephone cabling;
- (f) the replacement of any broken or damage part, repair, alteration or maintenance and commissioning of any vehicle or mechanical equipment of the Municipality; and
- (g) the installation, maintenance, repair, upgrading or replacement and commissioning of damage parts of any closed-circuit television system and the hardware associated with it within any office or building of the Municipality,
- (h) the administration or management of the Municipality or part thereof ‘
- (i) the rendering or provision of professional services this includes consultancy within the prescribed tariff of the particular profession .

whether on or below the surface of the ground;

“**fixed price**” means a price that is not subject to contract price adjustment;

“**firm price**” in relation to an offering, means the stated price which are only subject to adjustments in accordance with actual increases or decreases resulting from a change, imposition or abolition of any duty, levy or tax which, in terms of a law is binding upon the supplier and demonstrably have an influence on the prices of any goods, the execution of any work or the rendering of any service, for the execution of the contract. Where different prices are tendered for different periods of the same contract, the bid price applicable in respect of a particular period of the contract shall be a firm price if, as regards such period, it conforms to this definition;

“historically disadvantaged individual (BLACK PEOPLE)” means a person who obtained South African citizenship before the coming into operation of the Interim Constitution and who –

- (a) due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Interim Constitution; and/or
- (b) is a female; and/or
- (c) has a disability;

“invitation to bid” means an invitation to bid or a request for proposals extended –

- (a) to the general public by way of publication in a newspaper to submit tenders or price quotations for a specific contract; or
- (b) in writing to a supplier registered in the Register or Roster to submit offers for a specific contract; or
- (c) orally or in writing to a supplier to submit an offer for a specific contract;

“knowledge management database” means the database of information established by the Municipality to facilitate learning of councillors and officials;

“Municipality” means Matjhabeng Local Municipality and includes any political structure, political office-bearer or employee of the Municipality lawfully acting in its stead;

“Municipal Manager” means the person appointed in that position, regardless of her/his designation, and includes any person lawfully acting in her/his stead or under her/his instructions;

“non-firm prices” mean all prices other than firm prices;

“non-BLACK PEOPLE firm” means an enterprise in which less than 25,1% of equity is owned by Black people;

“offer” means a bid or price quotation and “offering” has a similar meaning;

“order” means an official written and properly authorised order for the supply of goods to, the execution of work for or the rendering of a service to the Municipality issued after the acceptance of an offer;

“own” in relation to a claim for preference based on ownership of equity in an enterprise, means having all the customary incidents of ownership including the authority to dispose of and share risks and profits commensurate with the degree of ownership evidenced by the substance rather than the form of ownership arrangements;

“period contract” means a contract entered into for the supply of goods, the rendering of a service or the execution of work during a specified period of time;

“preference” means a percentage of the offered price deducted from the offered price of certain products or services, as determined by the Minister of Finance, for use when calculating the comparative price in terms of Chapter 8 ;

“proposal” means a written exposition of a service to be rendered to the Municipality in response to an invitation to submit offers;

“prospective supplier” means any natural or legal person or association of persons, whether registered in terms of legislation or not, who participates in any procurement process of the Municipality with a view to be awarded a contract to supply goods, render a service or execute work on behalf and for the benefit of the Municipality and includes any such person or association registered in the register;

“policy” means the Municipality’s supply chain management policy;

“publish” means publish in a newspaper of record determined by the Municipality in terms of section 21(1)(b) of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) and made available in terms of section 21A of the Act;

“purchasing department” means the department or other organisational entity within the Municipality that wishes to –

- (a) acquire any goods or services on behalf and for the benefit of the Municipality; and
- (b) secure a contractor for the execution of work on behalf of the Municipality.

“quotation” means a verbal or written offer for the supply of goods to, the execution of work for or the rendering of a service to the Municipality for which tenders do not need to be invited due to the estimated value of the contract being less than R 200,000 (VAT inclusive);

“register” means the Register of Accredited Prospective Suppliers contemplated in Chapter 7;

“regulations” means the Municipal Supply Chain Management Regulations promulgated in terms of Government Notice No 868 of 2005 (Government Gazette No 27636 of 30 May 2005)

“Republic” means the Republic of South Africa;

“roster” means the Roster of Professional Service Providers contemplated in Chapter 7;

“small, medium or micro enterprise” means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule to the National Small Business Act 1996 (Act No 102 of 1996) and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule to the said Act opposite the smallest relevant size or class as mentioned in column 2 of that Schedule;

“supplier” means any natural or legal person or association of persons, whether registered in terms of legislation or not, who has been awarded a contract to supply goods, render a service or execute work on behalf and for the benefit of the Municipality;

“tender” means a bid; and

“written” or **“in writing”** means handwritten in ink or any form of mechanical writing.

Definitions to be added to the amended SCM policy

“all applicable taxes” includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies;

“B-BBEE” means broad-based black economic empowerment as defined in section 1 of the Broad-Based Economic Empowerment Act;

“B-BBEE status level of contributor” means the B-BBBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Broad-Based Black Economic Empowerment Act” means the Broad- Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

“black people” is a generic term which means Africans, Coloured and Indian;

“comparative price” means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration;

“consortium or joint venture” means an association of persons for purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

“designated sector” means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated threshold for local production and content;

“functionality” means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder;

“imported content” means that portion of the tender price represented by cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty, or other similar tax or duty at the South African port of entry

“local content” means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;

“person” includes a juristic person;

“rand value” means the total estimated value of a contract in South African currency, calculated at the time of tender invitation, and includes all applicable taxes and excise duties;

“stipulated minimum threshold” means that portion of local production and content as determined by the Department of Trade and Industry;

“sub-contract” means the primary contractor’s assigning, leasing, making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract;

“total revenue” bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad- Based Black Empowerment Act and promulgated in the Government Gazette on 9 February 2007;

“trust” means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person; and

“trustee” means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.

CHAPTER 2 INTRODUCTION, PURPOSE AND OBJECTIVES

Introduction

2.1 The primary goal of the Municipality's supply chain management system is –

to find reliable, cost effective suppliers for the Municipality.

This means –

- (a) that acceptable norms and standards of quality, expected service delivery and technical performance will not be relaxed or compromised , while ensuring the promotion of BLACK PEOPLE's in the process ; and
- (b) that personnel associated with the Municipality's supply chain management system are required to be made aware of this policy and code and are expected to commit themselves to its implementation through good faith and appropriate purchasing procedures and decisions.

2.2 It is clear that the local economy is declining. For this purpose the Municipality has incorporated a number of local economic development initiatives and projects in the integrated development plan. The Municipality also realises that its supply chain management policy and practices can play an important role in stimulating local economic growth and development. This policy is therefore designed to contribute to the achievement by the Municipality of its objectives regarding local economic growth and development.

2.3 It is also a primary strategic objective of the Municipality to affirm the historically disadvantaged community in order to eradicate the legacy of apartheid and colonialism and the resulting exclusion from opportunity. In this regard the Municipality supports the Government's broad-based black economic empowerment policies and strategy completely. A key objective of this policy is therefore to promote entrepreneurship to allow **Black people** access to the mainstream of business opportunities. This will be achieved by increasing business opportunities for **Black people** and maximising purchases of goods and services from black owned and black empowered enterprises.

2.4 The acquisition and disposal of capital assets were not previously part of the asset management system of the Municipality, but are now included in the supply chain management system as required by the Act. All land transactions, including the acquisition and alienation/disposal thereof, will therefore be dealt with in terms of the provisions of this policy.

Legal framework

2.5 Section 217 of the Constitution of the Republic of South Africa requires all organs of state, including municipalities, to contract for goods or services in accordance with a system which is fair, equitable, transparent, competitive and cost effective. This policy aims to give effect to these principles.

2.6 The policy further aims to give effect to the enabling legislation outlined in the -

- (a) Preferential Procurement Policy Framework Act 2000 (Act 5 of 2000);
- (b) Preferential Procurement Regulations;

- (c) the Broad-Based Black Economic Empowerment Act 2003 (Act No 53 of 2003);
- (d) the Construction Industry Development Board Act 2000 (Act No 38 of 2000);
- (e) the Act; and
- (f) the regulations.

Integrated system

- 2.7 The Municipality's supply chain management and contract management systems are integral parts (sub-systems) of its asset management system. It is therefore imperative that the institutional arrangements of the Municipality to implement this policy are contextualised within the broader asset management process and policy of the Municipality.
- 2.8 The principal goal of the Municipality's asset management policy and process is to enable the Municipality to meet its service delivery objectives efficiently and effectively.
- 2.9 The Municipality's asset management system recognises that the life-cycle of any asset consists of four stages, namely -
- (a) Planning during which stage the need for a particular asset is identified or recognised, the acquisition of the asset is budgeted for and the design of the particular asset;
 - (b) Acquisition at which time an asset is purchased, leased, constructed or acquired and the installation and commissioning of the asset concerned;
 - (c) Operation and maintenance during which period the asset receives whatever is necessary to allow it to operate efficiently in the delivery of services; and
 - (d) Disposal at which time the asset may be sold, transferred, demolished or otherwise disposed of when it is no longer required or it has reached the end of its useful life.

Policy objectives

2.10 The specific objectives of this policy are:

- (a) To ensure that all acquisitions, including the appointment of professional service providers, and disposals are conducted in the most effective, efficient, transparent and consistent manner;
- (b) To demonstrate the Municipality's commitment towards the achievement of the national government's black economic empowerment goals;
- (c) To facilitate the engagement of **Black people** in the supply chain management system;
- (d) To promote equity, fairness and increased participation of local business in the Municipality's supply chain management system;
- (e) To outline the process followed by the Municipality in competitive bidding and awarding of contracts;
- (f) To consistently ensure that the Municipality receives value for money;

- (g) To adopt a uniform supply chain management system across the Municipality;
- (h) To maintain national standards and pursue best practice;
- (i) To combat corruption;
- (j) To stimulate and promote local economic development in a targeted and focused manner; and
- (k) To increase the small business sector's access to business opportunities created by the Municipality.

Nature and scope of this policy

2.11 This policy must at all times be read with the provisions of relevant legislation listed in paragraph 2.6 above.

Exemptions from this policy

2.12 This policy and Code does not apply –

- (a) to the procurement of water from the Department of Water Affairs or a public entity, another municipality or a municipal entity;
- (b) to the procurement of electricity from Eskom or another public entity, another municipality or a municipal entity;
- (c) if the Municipality contracts with another organ of state for -
 - (i) the provision of goods or services to the municipality or municipal entity;
 - (ii) the provision of a municipal service or assistance in the provision of a municipal service; or
 - (iii) the procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

2.13 The Municipal Manager may procure goods or services for the Municipality under a contract secured by another organ of state, 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) she/he has no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits for the Municipality to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

Institutional locus of the asset management, supply chain management and contract management functions

- 2.14 Asset Management and Contract Management are two sub-sections of Supply Chain Management and are located in the department responsible for financial services.
- 2.15 The asset management **section** shall provide asset management (including supply chain management and contract management) services on a shared service centre basis to the Municipality's departments. The asset management **section** is therefore required to cooperate closely with the Municipality's other departments.
- 2.16 The Municipality realises that it is not productive, nor efficient to attempt to structurally and functionally ring fence the entire asset management process. Therefore, the following sub-functions and processes are assigned to other organisational units -
- (a) Asset utilisation management
The organisational unit of the Municipality that is the primary user of a specific asset is responsible and accountable for managing that asset's utilisation.
 - (b) Capital accounting and maintenance of asset records
The Municipality must at all times have an up-to-date inventory of its assets. Such an inventory must be held in the formats required by law and generally recognised accounting practice (GRAP). The capital accounting and asset records function of the Municipality is assigned to the Budget and Treasury Office.
 - (c) Securities related to assets
Original records relating to the acquisition, holding and disposal of assets, such as contracts, deeds of transfer, contracts of sale and lease and notaries deeds shall be held within a secure, fire-proof, limited access facility within the central records and archives office of the Municipality. The manager responsible for records and achieves shall be competent to issue such prescripts and procedures regarding the storage, safe-keeping and access to such records as may required in terms of relevant legislation and best practice.

Unsolicited bids

- 2.17 The Municipality is not be obliged to consider an unsolicited bid , but may
- (a) spell out the process to be followed in either accepting or if conditions exist that may cause unfair practice in disposal rejecting unsolicited bids of assets not used by the Municipality. Solicitation may only be for rental or lease or right of use until time of disposal.

Implementation and amendment of policy

- 2.18 The Municipal Manager must –
- (a) at least annually review the implementation of this policy and code; and
 - (b) when she/he considers it necessary, submit proposals for the amendment of the policy to the Executive Mayor for consideration of the Council.
 - (c) Notwithstanding section (a) and (b) above, the council reserves its right to review this policy any time it deems necessary to do so.

CHAPTER 3 SUPPLY CHAIN MANAGEMENT SYSTEM

General object of the supply chain management system

- 3.1 This policy provides for acquisitions and disposals to ensure that an effective, efficient and transparent supply chain management system is implemented for the Municipality.

Part 1 Demand management

Duties of departmental heads

- 3.2 Each departmental head shall during the preparation of her/his department's estimates for the budget year –
- (a) determine which functions it performs;
 - (b) determine the products and services it must provide in the performance of those functions;
 - (c) conduct a condition assessment of the assets managed by her/his department;
 - (d) on the basis of its analysis in terms of paragraphs (a), (b) and (c) determine its financial needs during the budget year for –
 - (i) maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset in question and minor repairs to such assets;
 - (ii) repairing existing assets;
 - (iii) refurbishing or renovating existing assets;
 - (iv) extensive repairing of existing assets;
 - (v) replacing existing assets; and
 - (vi) acquiring new assets.

Establishment of a corporate programme of acquisitions

- 3.3 The Asset Management **section** shall, after consultation with departmental heads, compile a programme of acquisitions in respect of the budget year, which programme shall be attached to the Municipality's service-delivery and budget implementation plan, taking into account that the process for procuring a contract for banking services must commence at least nine months before the end of an existing contract and that the closure date for the submission of bids in respect of supplying banking services to the Municipality may not be less than 60 days from the date on which the advertisement is placed in a newspaper.
- 3.4 During consultations between the Asset Management **section** and departmental heads, all reasonable efforts shall be made to determine –
- (a) the desired time at which a specific contract must be awarded;

- (b) the desired time when specific goods must be delivered, services rendered or work executed;
- (c) where any goods to be supplied shall be delivered;
- (d) the quantity and quality of any goods to be supplied; and
- (e) any other relevant matter.

Part 2 **Acquisition management**

Supremacy of this policy and the approved budget

- 3.5 With due regard for paragraphs 2.12 and 2.13 goods and services may be acquired, and assets disposed of, only in accordance with this policy and code and the relevant law
- 3.6 Expenditure on the acquisition of goods and services and the execution of work, including goods and services referred to in paragraph 3.5 (a) to (c) may be incurred only in terms of an approved budget.

Range of supply chain management processes

- 3.7 Acquisitions by the Municipality shall be made in terms of –

- (a) petty cash purchases;
- (b) verbal quotations;
- (c) formal written price quotations; and
- (d) competitive bids.

Petty cash purchases

- 3.8 A departmental head may authorise the procurement of goods, services or the execution of work to an amount of R 2,000 (VAT inclusive) from petty cash, subject to the Municipality's rules regulating petty cash purchases and the provisions of this policy and Code.
- 3.9 No goods, services or the execution of work with a transaction value between R 500 (VAT inclusive) and R 2,000 (VAT inclusive) may be procured by way of petty cash purchase unless two verbal quotations have been obtained from two different suppliers registered in the Register. The person inviting verbal quotations shall keep a written record of prices quoted. A verbal quotation shall only be accepted against written confirmation of the quoted price.
- 3.10 A departmental head may in writing sub-delegate the authority to procure goods, services and the execution of work from petty cash to a manager who is directly accountable to her/him.
- 3.11 The Municipal Manager may in writing –
- (a) direct that written quotations be obtained for the procurement of any specific goods or services or the execution of work of a transaction value lower than R 2,000;

- (c) limit the number of petty cash purchases or the maximum amount of purchases from petty cash per month for each departmental head, provided that a different number or amount may be set for different departmental heads;
 - (d) exclude any types of expenditure from petty cash purchases, where she/he considers it necessary.
- 3.12 Each departmental head shall within five working days after the end of each month supply to the chief financial officer –
- (a) a written reconciliation report, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase; and
 - (b) a written report on all purchases made in terms of a sub-delegation in terms of paragraph **3.10**.

Verbal quotations

- 3.13 No goods, services or the execution of work to an amount over R 2,000 (VAT inclusive) up to R 10,000 (VAT inclusive) shall be acquired unless three verbal quotations have been obtained, preferably from but not limited to, different suppliers registered in the Register. If quotations are obtained from providers who are not listed, such providers must meet the criteria for registration in the Register. The person inviting verbal quotations shall keep a written record of prices quoted. A verbal quotation shall only be accepted (i.e. an order issued) against written confirmation of the quoted price.
- 3.14 If it is not possible to obtain at least three quotations, the relevant departmental head **or supply chain management head** must apply in writing, stating the reasons why three quotations could not be obtained, to the chief financial officer or an official designated by her/him for an exemption from the requirement that three written quotations be obtained. The official designated by the chief financial officer shall, within three working days after the end of each month, submit a written report to the chief financial officer on any exemption she/he granted during the period since her/his previous report.
- 3.15 When inviting verbal quotations the **supply chain management head** shall ensure on-going competition between registered suppliers, including inviting suppliers to submit quotations on a rotation basis.
- 3.16 The Municipal Manager may –
- (a) require that formal written price quotations be obtained for the procurement of any specific goods or services or the execution of any specific work of a transaction value lower than R 10,000 (inclusive of VAT).
- 3.17 A departmental head may in writing sub-delegate the authority to procure goods, services and the execution of work by way of verbal quotations in terms of paragraph **3.13** to a manager who is directly accountable to her/him.

Formal written price quotations

- 3.18 No goods, services or the execution of work to an amount exceeding R 10,000 (VAT inclusive) up to R 200,000 (VAT inclusive) shall be acquired unless three formal written price quotations have been obtained preferably from, but not limited to, different suppliers registered in the Register, provided that if the estimated price of the acquisition is likely to exceed R 30,000 (VAT included) an invitation to submit written price quotations shall be published on the Municipality's website and official notice boards for a period of at least 7 days from the date of publication. If quotations are obtained from providers who are not listed in the Register, such providers must meet the criteria for registration.
- 3.19 If it is not possible to obtain at least three quotations, the relevant departmental head **or supply chain management head** must apply in writing, stating the reasons why three quotations could not be obtained, to the chief financial officer or an official designated by her/him for an exemption from the requirement that three written quotations be obtained. The official designated by the chief financial officer shall, within three working days after the end of each month, submit a written report to the chief financial officer on any exemption she/he granted during the period since her/his previous report.
- 3.20 When inviting formal written price quotations the **supply chain management head** shall ensure on-going competition between registered suppliers, including inviting suppliers to submit quotations on a rotation basis.
- 3.21 The Municipal Manager may –
- (a) lower any amount referred to in paragraph 3.19;
 - (b) direct that a competitive bidding process be followed for the procurement of any specific goods or services or the execution of work of a transaction value lower than R 200,000.

Prohibitions with regard to quotations

- 3.22 No compulsory meeting of any nature shall be required in respect of quotations.
- 3.23 No charge shall be levied in respect of the issuing of documentation for quotations.

Quotation documentation

- 3.24 Quotation documents shall be prepared and made available for submitting written price quotations.
- 3.25 Quotation documents shall clearly indicate the terms and conditions of contract, the specifications of the goods or services or execution of work required, evaluation criteria and procedures to be followed.
- 3.26 Quotation documentation shall not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost-effective bidding as well as the advancement of **black people**.
- 3.27 Where the specifications are based on standard documents available to suppliers, reference to those documents in the quotation documents is sufficient.

- 3.28 The Municipality may, if necessary, communicate with suppliers prior to the submission of written quotations in order to supply additional information or to clarify vague points or ambiguities in the quotation documents.

Quotation prices

- 3.29 All prices in written price quotations shall be deemed to be fixed prices unless otherwise stated in the quotation documents.
- 3.30 Quotations regarding the provision of services to the Municipality that may involve travelling, accommodation and subsistence cost by the supplier must include and separately stipulate any travelling, accommodation and other subsistence cost.

Issuing and submission of quotation documentation

- 3.31 Quotation documents pertaining to written quotations shall be issued and written quotations shall be received by the **Procurement Section** only.. The prescribed documentation shall be available for personal collection. The Municipality shall not dispatch any quotation documents by courier or similar commercial messenger service.
- 3.32 Quotation documents shall clearly state the place where written quotations must be submitted, the manner of submission and, if necessary, a date and time by when they must be returned.
- 3.33 Written quotations may be submitted by telefacsimile or electronic mail message: Provided that –
- (a) the original signed documentation is submitted to the Municipality upon request; and
 - (b) if such quotation is submitted by electronic mail, it must be in portable document format or other similar format that prevents changes being made in a document.
- 3.34 No written quotation submitted after the stipulated closing date and time (if any) shall be considered.
- 3.35 All prices offered shall remain confidential until all invited quotations have been received or the closing time on the closing date for submission of quotations, as the case may be.
- 3.36 The delegated body may negotiate the final contractual terms in respect of any offer received through the submission of written quotations, provided that such negotiation -
- (a) does not allow the preferred supplier an unfair or second opportunity; and
 - (b) is not to the detriment of any other supplier.

Acceptance of written quotations

- 3.37 A report regarding written quotations received, in the approved format, shall be submitted to the relevant delegated body for consideration.
- 3.38 Written quotations shall be accepted by means of issuing an official order.

Competitive bids

- 3.39 No goods, services or the execution of work –
- (a) the estimated cost of which is likely to exceed R 200,000 (VAT included); or
 - (b) involving the entering into by the Municipality of a long-term contract
- shall be acquired unless a competitive bidding process has been followed.
- 3.40 Notwithstanding anything to the contrary in this policy or Code a contract for the provision of banking services to the Municipality must be procured through the competitive bidding process described in this policy and Code.
- 3.41 For the acquisition of large complex plant or projects of special nature, when it may be undesirable to compare complete detailed technical specifications in advance, the Municipal Manager may in writing authorise that a two-stage bidding process be followed. Under the first stage un-priced technical proposals on the basis of conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments. The second stage shall include amended bidding documents and the submission of final technical proposals and priced bids.
- 3.42 The Municipal Manager may, in exceptional circumstances, where statutory, design, technological or safety reasons require that bidding be restricted to suppliers that have proven their capability and qualifications to meet the specific requirements of the bid authorise that suppliers must pre-qualify. The notice inviting suppliers to pre-qualify shall be in the format determined by the Municipal Manager. Once a supplier has been pre-qualified for a particular project, she/he shall be afforded not less than 7 working days to submit a bid after having been called upon to do so.
- 3.43 Unless specifically authorised by the Municipal Manager no compulsory tender meeting or meeting involving prospective suppliers shall be held in respect of any bid. If the Municipal Manager authorises such a meeting, or the relevant departmental head requires that a compulsory site meeting must be held in respect of bids to be invited for the execution of work on behalf of the Municipality, the invitation inviting bids shall stipulate the full detail as to venue, time and date of such meeting.
- 3.44 Bidders must attend all compulsory clarification/briefing meetings failure to attend will result in automatic disqualifications.

Issuing of bid documentation

- 3.45 Bid documents and any subsequent notices shall be issued only by the **Supply Chain Management Unit**. The prescribed documentation shall be available for personal collection. The Municipality shall not dispatch any bid documents by courier or similar commercial messenger service.
- 3.46 The Municipality may raise a non-refundable bid charge for bid documents. If a bid charge is raised in respect of any specific bid, the notice inviting bids must state the amount of such charge.
- 3.47 Details of all prospective suppliers who have been issued with bid documents shall be recorded by the **Supply Chain Management Unit**. Such details shall include -
- (a) the legal and full name of the person or entity drawing documents;

- (b) a contact person;
- (c) a contact telephone number;
- (d) a contact fax number;
- (e) a postal address; and
- (f) an e-mail address, if any.

3.48 The details recorded as required in paragraph **3.47** shall remain confidential for the duration of the bid period.

Part 3 Logistics management

Establishment of stores

- 3.49 The Municipality shall have a central store situate in Welkom and such decentralized stores in other places as may be required to ensure that the Municipality is able to perform its functions in an uninterrupted manner.
- 3.50 The manager responsible for asset management shall be responsible for managing the Municipality's stores.

Stock levels in the Municipality's stores

- 3.51 The chief financial officer shall –
- (a) after consultation with the departmental heads, determine -
 - (i) which items shall be carried in the Municipality's stores; and
 - (ii) the quantities in which such items shall be kept in stock;
 - (b) determine minimum and maximum levels to be kept in stock based on consumption figures or inputs from users; and
 - (c) determine the minimum and maximum levels of stock in store allowing for a safety margin to be added to the minimum level to cover unforeseen circumstances.
- 3.52 Nobody shall place an order for an item which is in stock in a store except where authorized

Placing of orders

- 3.53 An order for supplementing stock in store is placed when –
- (a) the stock level in respect of a specific stores item as prescribed by the chief financial officer is reached; or
 - (b) when a requisition is received from an end user for an item which is not held in stock.
- 3.54 Where a contract exists, orders must be placed for the item from the contract.
- 3.55 Where no contract exists the price quotation or competitive bidding method of ordering shall be applied.

Supplier performance

- 3.56 The manager responsible for **supply chain** management shall monitor the reliability of suppliers in terms of the following criteria –
- (a) contractual or promised delivery periods;

- (b) contractual quality; and
- (c) contractual quantities.

3.57 If any supplier is found to be unreliable the manager responsible for **supply chain** management shall –

- (a) follow the matter up with the with the vendor concerned; and
- (b) if it is a contract item, also report the matter to the department that procured the contract.

Stores management

3.58 The person who accepts delivery of any item into store must ensure that the conditions reflected on the order form, including any prescripts as to quantity and quality, are complied with. If any discrepancy occurs between the order the order form and actual items delivered, the matter must immediately be followed up with the supplier.

3.59 The manager responsible for **supply chain** management must ensure that –

- (a) all statutory provisions and safety regulations are complied with when items are being stored;
- (b) stock and equipment are stored properly and arranged in such a manner that the checking and handling thereof are being facilitated and the possibility of damage, exposure, deterioration and perishing thereof is limited or eliminated;
- (c) a proper records of all the stores items are kept consistent with the prescripts issued by the chief financial officer.

Issuing and distribution of stores items

3.60 No items shall be issued from a store unless a proper requisition is submitted for its issuing.

3.61 An issue voucher shall be generated for all stores items issued.

Stocktaking

3.62 Stocktaking of all stores items in stock shall be conducted at least once a year as may be directed by the Municipal Manager.

3.63 The Municipal Manager may at any time order a stock taking to be executed.

Losses and surpluses in stores

3.64 The Municipal Manager may issue such prescripts as may be necessary –

- (a) to eliminate theft, losses, wastage and misuse of stores items;
- (b) to ensure that all damages to and losses of stores items are accounted for in accordance with the relevant prescripts;

- (c) to ensure that damages and losses are investigated with a view to possible recovery; and
- (d) to ensure that surpluses are taken on record as assets immediately.

Part 4
Disposal management

3.69 Disposal of assets shall be done in accordance with Chapter 6 of this policy.

Part 5
Risk management

- 3.70 The manager responsible for **the procuring department** is responsible and accountable for -
- (a) identifying the risks in respect of each contract awarded by the Municipality;
 - (b) ensuring that the risk is allocated to the party best suited to manage such risks;
 - (c) accepting the cost of a risk on behalf of the Municipality where the cost of transferring it is greater than the cost of retaining it;
 - (d) pro-actively managing risks and the provision of adequate cover for residual risks; and
 - (e) the assignment of clear risk responsibilities to the contracting parties by means of clear and unambiguous contractual stipulations.

Part 6
Performance management

- 3.71 The Municipal Manager shall, not later than 31 July of each year, together with the Chief Financial Officer, set appropriate key performance indicators and performance targets for the **Supply Chain Management** Unit for the remainder of the financial year.
- 3.72 The manager responsible for asset management shall, within 10 work days after the end of each quarter assess the progress of the **Supply Chain Management** Unit in achieving its performance indicators and targets.
- 3.73 The Chief Financial Officer shall, within 10 work days after the end of the financial year assess the performance of the **Supply Chain Management** Unit in achieving its performance indicators and targets and submit a report thereon to the Municipal Manager.

CHAPTER 4 INSTITUTIONAL ARRANGEMENTS

Oversight role of the Council

- 4.1 The Council shall maintain oversight of the supply chain management system of the Municipality.
- 4.2 In order for the Council to perform its oversight function, the Municipal Manager shall –
- (a) not later than 10 working days after the end of each month, submit a written report regarding the implementation of this policy during the immediately preceding quarter to the Executive Mayor;
 - (b) quarterly, within 30 days after the end of a financial year, submit a written report on the implementation of this policy during the immediately past financial year, to the Council, provided that the report contemplated in paragraph (a) in respect of the fourth quarter of a year may be incorporated into the annual report; and
 - (c) whenever there are serious and material problems with the implementation of this policy, submit a written report to the Council
- provided that any report in terms of this paragraph shall be published in terms of section 21A of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000).
- 4.3 The Council or the Executive Mayor may at any time require the Municipal Manager to submit a written report regarding a specific activity within the **supply chain** management process, including a specific bid.

Role of the Municipal Manager

- 4.4 The Municipal Manager is responsible and accountable for –
- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to her/him in terms of this policy and any relevant legislation;
 - (b) implementing the Municipality's supply chain management policy;
 - (c) ensuring compliance with the supply chain management policy;
 - (d) annually reviewing the supply chain management policy;
 - (e) approving the re-inclusion of a supplier's particulars in the suppliers' database after rehabilitation of the relevant supplier according to statutory requirements;
 - (f) removing the details of a supplier from any suppliers' database that the Municipality may maintain; and
 - (g) approving and changing the composition of any bid committee.
- 4.5 The Municipal Manager may at any time require the Chief Financial Officer to submit a written report to her/him regarding any aspect of the supply chain management policy and the supply chain management system.

Role of departmental heads

4.6 Each departmental head shall be responsible and accountable for –

- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to her/him in terms of this policy;
- (b) implementing the Municipality's supply chain management policy and any procedural and other prescripts issued in terms of the policy within her/his area of responsibility;
- (c) ensuring compliance with the Municipality's supply chain management policy and any procedural and other prescripts issued in terms of the policy within her/his area of responsibility;
- (d) developing, or causing to be developed, draft specifications and other quotation or bid documents for acquisitions by her/his department exceeding an amount of R 30,000 (VAT inclusive) or such other amount as may be determined by the Municipal Manager generally or in a particular case;
- (e) developing and approving bid specifications for acquisitions by her/his department for an amount over R 200,000 or such other amount as may be determined by the Municipal Manager generally or in a particular case;
- (f) financial management in respect of any acquisition or disposal by her/his department in terms of this policy and relevant legislation;
- (g) asset utilisation management in her/his area of responsibility;
- (h) properly planning for and, as far as possible, accurately estimating the costs of the provision of services, works or goods for which offers are to be solicited;
- (i) ensuring implementation of standard appropriate preferential point system in the evaluation of offers; and
- (j) achieving any objectives and targets set with regard to acquisitions and disposals.
- (k) Ensure that the bid specifications are reasonably accessible to BLACK PEOPLE's.

Role of the Chief Financial Officer

4.7 The Chief Financial Officer shall be responsible and accountable for -

- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to her/him in terms of this policy;
- (b) reporting on progress with the implementation of, and compliance with, the Municipality's supply chain management policy to the Municipal Manager;
- (c) conducting assessments of the entire supply chain management system to identify successes and failures and beneficiation of the BLACK PEOPLE's for incorporation into the Municipality's knowledge management database;
- (d) the overall asset management process from solicitation of offers to the processing of invoices for payment;

- (e) promoting a corporate approach to procurement by encouraging standardisation of assets and inventory items acquired by the Municipality to realise economies of scale;
- (f) providing information regarding supplier performance issues to the Municipal Manager and the Council;
- (g) ensuring that acquisitions and disposals are effected through practices that demonstrate compliance with all relevant legislation;
- (h) for managing acquisitions and disposals to ensure that the supply chain management system of the Municipality is adhered to;
- (i) ensuring that the acquisition and disposal process followed adheres to preference targets without compromising price, quality, service delivery and developmental objectives;
- (j) ensuring that all employees involved in the development of enquiry documents, bidding and bid adjudication receive the necessary training to support implementation of this policy;
- (n) establishing the amount to be paid by prospective bidders as a non-refundable charge for bid documents issued by the Municipality, provided that such amount shall not exceed R1,000 (VAT inclusive) for one set of documents;
- (o) verifying all prospective suppliers for inclusion in the register or roster;
- (p) placing an advertisement in the press during February every year to invite prospective suppliers, including professional service providers, to apply for registration in the register or roster; and
- (q) ensuring that all personnel assigned to the **Supply Chain Management Unit** has the skills, knowledge and expertise to perform their functions effectively and efficiently.

4.8 The Chief Financial Officer may –

- (a) in writing prescribe procedures and best practices regarding asset management in the Municipality consistent with this policy and relevant legislation; and
- (b) in writing assign any employee assigned to her/his Department to temporarily perform the functions and discharge the duties conferred on, or assigned to, the Asset Management **Section**.

Establishment of an asset management unit

4.9 The Municipal Manager shall establish an Asset Management **Section** in the department responsible for financial services.

4.10 The Asset Management **Section** shall be subject to the management control of, and accountable to, the Chief Financial Officer.

4.11 The **Supply Chain Management Unit** shall consist of –

- (a) Procurement section;
- (b) Contract management section; and

(c) Asset management section.

- 4.12 The **senior** manager responsible for supply chain management in the department responsible for financial services shall be responsible and accountable for the day-to-day management of the Asset Management **Section**.
- 4.13 The **Supply Chain Management Unit** shall consist of such personnel as the Municipal Manager may, after consultation with the Chief Financial Officer, assign to the Unit.

Establishment of bid committees

- 4.14 The following bid committees are hereby established –
- (a) Bid specification committee;
 - (b) Bid evaluation committee; and
 - (c) Bid adjudication committee
- 4.15 The following persons shall not be eligible to become members of a bid committee –
- (a) a councillor of any municipality; and
 - (b) a member of the Municipality's audit committee or performance audit committee.
- 4.16 No councillor of any municipality may attend a meeting of a bid committee in any capacity, nor make a presentation or representations to or conduct an interview with a bid committee in any capacity.

Independence, impartiality and accountability of bid committees

- 4.17 A bid committee shall perform its functions, exercise its powers and discharge its duties independently and without fear, favour or prejudice.
- 4.18 A bid committee shall be accountable to the Municipal Manager.

Meetings of bid committees and decision-making

- 4.19 The chairperson of the relevant bid committee shall determine the date, time and venue of meetings of the committee concerned, provided that at least three working days written notice shall be given of a meeting of a bid committee to all the members.
- 4.20 A majority of the members of a bid committee must be present before the committee concerned may consider any matter.
- 4.21 Decisions of a bid committee shall be taken by a majority of the members present at a meeting voting in favour of, or against, a question.
- 4.22 The Chief Financial Officer shall make appropriate arrangements to ensure that secretarial and such other administrative support services as may be required are provided to a bid committee.
- 4.23 Minutes shall be kept of each meeting of a bid committee. Such minutes shall –

- (a) be considered and adopted, with or without amendments, as a true and accurate reflection of the proceedings at, and resolutions taken during, a bid committee meeting, by the relevant committee at its first meeting next ensuing;
- (b) be signed by the person presiding at the meeting when they are approved; and
- (c) Shall prima facie be evidence of the proceedings at a meeting of the relevant committee until the contrary is proven.

Conduct of bid committee members

4.24 Members of a bid committee shall at all times comply with the Code of Conduct contained in Chapter 16.

Procedures of bid committees

- 4.25 A bid committee shall determine its own procedures, provided that meetings –
- (a) of the bid specification and bid evaluation committee shall be closed; and
 - (b) of the bid adjudication committee shall be open for the public and the media, provided further that the bid adjudication committee may close any of its meetings or part of a meeting having regard to the nature of the business to be conducted and the preference for open and transparent meetings.

Reporting

- 4.26 A bid committee shall within 7 working days after the end of each month, under the name and signature of its chairperson, submit a written monthly report of its activities to the Chief Financial Officer who shall submit such report, together with her/his comment and recommendations, if any, to the Municipal Manager.
- 4.27 The Chief Financial Officer may at any time require the chairperson of a bid committee to submit a report to her/him on any matter related to the functions of the committee.

Preparation of bid specifications and other bid documentation

- 4.28 The head of the purchasing department shall prepare, or cause to be prepared, written draft specifications and related documentation in respect of any offer to be invited by his/her department for the procurement of a contract the estimated value of which is likely to exceed R30,000, inclusive of VAT.
- 4.29 Specifications -
- (a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) 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 form 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 words "equivalent"; and
- (f) Must indicate each specific goal for which points may be awarded in terms of the points system set out in this policy.

4.30 With due regard for the powers delegated to her/him, a departmental head may acquire the services of an external service provider, which may include the State Information Technology Agency, to assist her/him to write a draft specification and other documentation, provided that –

- (a) the relevant service provider is registered in the roster, except in the case of the State Information Technology Agency; and
- (b) A service provider that has been appointed in terms of this paragraph may not -
 - (i) quote or bid for the relevant contract; or
 - (ii) In any other manner acquire an interest in, or benefit from, the relevant contract without the express prior approval of the Municipal Manager having been obtained.

4.31 A specification shall specify –

- (a) the details of the preference point system which shall be used when evaluating a particular offer if the value of the contract, inclusive of VAT, exceeds R 30, 000 or such lower amount as the Municipal Manager may determine in any specific case or category of cases;
- (b) any specific goal for which a point may be awarded in terms of the preference point system must be clearly specified in the specification if the value of the contract, inclusive of VAT, exceeds R 30, 000 or such lower amount as the Municipal Manager may determine in any specific case or category of cases;
- (c) in the case of offers for the provision of goods to the Municipality, at least –
 - (i) the technical specifications of the goods to be acquired;
 - (ii) the quantity of the goods to be supplied; and
 - (iii) any other relevant matter;
- (d) In the case of offers for the provision of services to the Municipality, at least -
 - (i) the scope of work of the service to be rendered, stipulating the desired outputs; and
 - (ii) any other relevant matter;

- (e) in the case of offers for the execution of work on behalf of the Municipality, at least -
 - (i) the date on which delivery of the work is expected; and
 - (ii) any conditions of the Construction Industry Development Board approved by the National Treasury, if applicable; and
 - (iii) any other relevant matter; and
- (f) in the case of offers for the disposal of assets of the Municipality, at least –
 - (i) if it is a land asset, the permitted use or uses for which the land may be utilised; and
 - (ii) Any other relevant matter.

4.32 A draft specification in terms of paragraph 4.28 shall be submitted for consideration to the bid specification committee.

Part 1 **Bid specification committee**

Composition of the bid specification committee

- 4.33 For each department there shall be a bid specification committee, which shall consist of –
- (a) The head of the relevant department or a manager directly accountable to her/him designated by her/him who shall be the chairperson;
 - (b) Such other officials of the department as may be determined by the departmental head; and
 - (c) An official of the legal services section if, in the opinion of the departmental head, legal expertise is required in respect of the bid documentation or any proposed contract.
 - (d) An official responsible for SMME development from the EDSP Department
- 4.34 The Municipal Manager may, upon receipt of a written application of the head of the department, appoint an external service provider as additional member of a bid specification committee in any particular case to assist that committee to perform its functions in respect of a specific bid: Provided that such an external service provider –
- (a) Shall be compensated per hour worked according to the agreed tariff;
 - (b) Must be registered on the roster;
 - (c) May not vote in respect of any matter before the committee in respect of which a vote may be required;
 - (d) Shall sign such confidentiality agreement as the Municipal Manager may prescribe; and
 - (e) May not bid for the relevant contract.

Objective of the bid specification committee

- 4.35 The objective of the bid specification committee is to ensure that–
- (a) comprehensive and proper bid documentation is prepared in respect of each written quotation and bid to be solicited by the Municipality;
 - (b) The Municipality acquires goods and services in accordance with its needs;
 - (c) Construction projects are executed on behalf of the Municipality to acceptable standards; and
 - (d) The disposal of assets of the Municipality takes place in a transparent and fair manner.

Functions of the bid specification committee

- 4.36 The bid specification committee shall consider proposed specifications and other bid documentation submitted by a departmental head, and make recommendations to the Municipal Manager, in connection with –
- (a) the procurement of goods and services by the Municipality;
 - (b) the execution of work on behalf of the Municipality; and
 - (c) The disposal of assets of the Municipality.
- 4.37 The chairperson of the bid specification committee shall submit the report and recommendations regarding each specification and other bid documentation considered by the bid specification committee to the Municipal Manager.

Approval of bid specifications

- 4.38 The Municipal Manager shall consider the report and recommendations of a bid specification committee and may approve the specification and other bid documents with or without amendments.
- 4.39 Nobody shall amend, alter, delete or in any other way change a specification approved by the Municipal Manager without the express prior written approval of the Municipal Manager having been obtained: Provided that if such proposed amendment, alteration, deletion or change is material the Municipal Manager may, in her/his sole discretion, require the proposed amendment, alteration, deletion or change to be submitted to the bid specification committee first.

Part 2
Bid evaluation committees

Composition of bid evaluation committees

- 4.40 For each department there shall be a bid evaluation committee which shall consist of -
- (a) The head of the relevant department or a manager directly accountable to her/him designated by her/him who shall be the chairperson;

- (b) Such other officials of the department as may be determined by the departmental head; and
- (c) The manager responsible for supply chain management or another supply chain management official designated by her/him; and
- (d) an official responsible for SMME development from the EDSP Department

4.41 The Municipal Manager may, upon receipt of a written application of the head of the purchasing department, appoint an external service provider as additional member of the bid evaluation committee to assist the committee to perform its functions in respect of a specific bid: Provided that such an external service provider –

- (a) Shall be compensated per hour worked according to the agreed tariff;
- (b) May not vote in respect of any matter before the committee in respect of which a vote may be required;
- (c) shall be registered on the roster;
- (d) shall sign such confidentiality agreement as the Municipal Manager may prescribe; and
- (e) was not a bidder for the relevant contract and does not have any direct or indirect interest in any offer to be considered.

Objective of the bid evaluation committee

4.42 The objective of the bid evaluation committee is to ensure that all written quotations and bids received in response to an invitation by the Municipality to submit offers for the supply of goods or services to, or the execution of work on behalf of, or the disposal of assets by the Municipality are objectively, thoroughly and impartially evaluated.

Function of the bid evaluation committee

4.43 The function of the bid evaluation committee is to evaluate all written quotations and bids received in response to an invitation of the Municipality to submit written quotations and bids.

Powers of the bid evaluation committee

4.44 In the performance of its function the bid evaluation committee may –

- (a) Assess and verify -
 - (i) the capacity of the bidder to execute the contract concerned;
 - (ii) any tax clearance certificate issued by the South African Revenue Services and submitted by the bidder;
 - (iii) that the bidder is not in arrears with the payment of any municipal fees, levies and other charges to the Municipality or any other municipality;
 - (iv) compliance with national industrial participation programme requirements in respect of contracts in excess of R 100 million;

- (v) any certificate or declaration in terms of section 53 of the Employment Equity Act 1998 (Act No 55 of 1998) submitted or made by a bidder;
 - (vi) any claim for preferential points made by a bidder; and
 - (vii) the financial standing of any bidder;
- (b) require any bidder to make a presentation with regard to or to demonstrate any or all aspects of her/his offer at a venue and time determined by the committee before it formulates an opinion about an offer;
- (c) form an opinion as to whether an offer shall be accepted for consideration; and
- (d) Where non-firm prices are offered, require that proof of labour and material costs or other factors which are specified by the bidder, must be submitted.
- (e) Vetting for any possible corruption, fronting and falsification of information

Evaluation of bids

- 4.45 Quotations and bids shall be evaluated only in accordance with the criteria specified in the bid specifications, including the preference points so specified.

Recommendations regarding bids

- 4.46 The bid evaluation committee shall submit its report and recommendations regarding the award of -
- (a) quotations, to the relevant delegated body or person; and
 - (b) Bids, to the bid adjudication committee.

Part 3

Bid adjudication committee

Composition of the bid adjudication committee

- 4.47 The bid adjudication committee shall consist of four senior managers of the Municipality designated by the Municipal Manager, which shall include –
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the department responsible for financials services reporting directly to the chief financial officer and designated by her/him;
 - (b) the manager responsible for asset management or if she/he is not available, a senior supply chain management practitioner designated by her/him; and
 - (c) a technical expert in the relevant field who is an official of the municipality,

Provided that 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.

- 4.48 The Municipal Manager shall appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of them to preside at the meeting

Objective of the bid adjudication committee

- 4.49 The objective of the bid adjudication committee is to ensure that the Municipality –
- (a) Procure the best value for money when contracting for the supply of goods or services and the execution of work; and
 - (b) Disposes of assets in a transparent and fair manner.

Functions of the bid adjudication committee

- 4.50 The bid adjudication committee shall consider the report of the bid evaluation committee and with due regard for the powers delegated to it, –

- (a) Award a bid; or
- (b) Submit its report and recommendation with regard to a bid to the Municipal Manager

Provided that if the committee decides to award a bid other than the one recommended by the bid evaluation committee, it shall 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 of its intention to deviate from the bid evaluation committee's recommendation.

Powers and duties of the Municipal Manager with regard to contracts awarded contrary to the recommendation of the bid evaluation committee

- 4.51 The Municipal Manager may upon receipt of the bid adjudication committee's report in terms of paragraph 4.50 ratify or reject the decision of the bid adjudication committee. If the decision of the bid adjudication committee is rejected the Municipal Manager shall refer the decision of the adjudication committee back to that committee for reconsideration.
- 4.52 Whenever an offer other than the one recommended in the normal course of implementing this policy is accepted and a contract awarded the Municipal Manager shall within 10 working days after the decision to award the contract has been made in writing notify the Auditor-General, the provincial treasury and the National Treasury of the reasons for deviating from the recommendation.

CHAPTER 5
THRESHOLD VALUES FOR ACQUISITIONS, APPROVAL AUTHORITIES AND EXEMPTIONS
FROM BIDDING REQUIREMENTS

Prohibition on the splitting of acquisitions

- 5.1 Nobody may, in order to avoid compliance with any prescript of paragraphs 3.14, 3.19 or 3.42 split the procurement of any goods, services or the execution of work into lesser items or parts or enter into more than one contract.

Approval authorities

- 5.2 The following approval authority apply for acquisitions in respect of quotations obtained in terms of paragraphs 3.14 and 3.19 for the provision of goods, services (excluding the services of professional service providers) and the execution of work:

Amount (VAT inclusive)	Delegated authority
Acquisitions to a maximum of R 10,000	Managers
Acquisitions to a maximum of R 50,000	Executive Managers
Acquisitions to a maximum of R 100,000	Corporate Executive Managers/HOD
Acquisitions to a maximum of R 200,000	Municipal Manager

- 5.3 The following approval authority applies for acquisitions in respect of bids obtained in terms of paragraph 3.42 for the provision of goods, services (excluding the services of professional service providers) and the execution of work:

Amount (VAT inclusive)	Delegating authority
Acquisitions to a maximum value of up to R 500 000 for operational expenditure. Procedure to be followed through Bid Adjudication Committee	Bid adjudication committee
Acquisitions above R1,5 million for capital expenditure Procedure to be followed through Bid Adjudication Committee	Bid adjudication committee
Acquisitions above R1,5 million	Municipal Manager

- 5.4 The following approval authority applies in respect the appointment of professional service providers in accordance with the prescribed process:

Amount (VAT inclusive)	Delegating authority
Appointments up to R 10,000	Managers
Appointments up to R 50,000	Senior Managers
Appointments up to R 100,000	Executive Directors
Appointments exceeding R 100,000 up to R 200,000	Municipal Manager
Appointments exceeding R 200,000	Bid adjudication committee

- 5.5 The following approval authorities apply for disposal of capital assets in respect of bids obtained in accordance with the prescribed process (all amounts include VAT):

Subject matter of disposal	Delegating authority
Disposal of all immovable capital assets, except residential land intended for development in terms of a national or provincial housing programme to supply the housing needs of a specific section of the community	Council
Disposal of movable capital assets with an estimated market value above R1 million	Council
Disposal of movable capital assets with an estimated market value below R1 million	Municipal Manager

Exemptions from acquisition/procurement requirements

- 5.6 The Municipal Manager may dispense with the prescribed processes and authorise the acquisition of any goods or services through any convenient process -
- (a) in the event of an emergency;
 - (b) if the required goods or services are available from a single supplier only;
 - (c) in any exceptional case where it is impractical to follow the prescribed procedure;
 - (d) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (e) acquisition of animals for zoos; or
 - (f) if the Municipality contracts with another organ of state for the provision of goods or services to the Municipality, or the provision of a municipal service or assistance with the provision of a municipal service or the procurement of goods and services under a contract secured by another organ of state, provided that the supplier concerned consented in writing to such procurement.
- 5.7 A departmental head seeking the approval of the Municipal Manager in terms of paragraph 5.6 shall submit a written report to the Municipal Manager detailing the reasons why the Municipal Manager should authorise a departure from the prescribed requirements. A report in terms of this paragraph shall contain such information as the Municipal Manager may specify.
- 5.8 The Municipal Manager shall record her/his decision with regard to an application in terms of paragraph 5.7 in writing and shall, if she/he grants that application, stipulate the alternative procurement process to be followed.
- 5.9 The decision of the Municipal Manager in terms of paragraph 5.8 shall be final.
- 5.10 The Municipal Manager shall record the reasons for any exemption granted in terms of paragraph 5.8 and report them to the next meeting of the Council and include as a note to the annual financial statements.
- 5.11 Whenever the Municipality procures goods or services in terms of paragraph 5.6(f) the Municipal Manager shall ensure that details of such transaction, including a description of the kind of goods and services procured and the name of the supplier is published in a newspaper of record within seven working days after the relevant contract has been concluded.

CHAPTER 6 DISPOSAL OF THE MUNICIPALITY'S ASSETS

Part 1 Disposal of capital assets

Introduction

- 6.1 In accordance with the provisions of section 14(5) of the MFMA, the transfer of ownership of a capital asset of the Municipality must be fair, equitable transparent, competitive and consistent with this policy.
- 6.2 The Municipality shall not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- 6.3 Capital assets that are not needed for the provision of basic municipal services may be disposed of, but only after the Council, in a meeting open to the public -
 - (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services;
 - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset; and
 - (c) has decided that the asset concerned may be disposed of.
- 6.4 The Council reserves the power to decide on the transfer of ownership or otherwise of the disposal of a capital asset that is not needed to provide a minimum level of basic municipal services.
- 6.5 The power to decide on the transfer of ownership or otherwise of the disposal of a movable capital asset below the value of R 1,000,000 that is not needed to provide a minimum level of basic municipal services is delegated to the Municipal Manager.

Role of the Municipal Manager in disposal of assets

- 6.6 The Municipal Manager must ensure that –
 - (a) immovable capital assets are sold at market related prices, unless the public interest or the plight of the poor demands otherwise;
 - (b) movable capital assets are sold either by way of written quotation, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality;
 - (c) immovable capital assets are leased/let at market related rates, unless the public interest or the plight of the poor demands otherwise;
 - (d) where assets are traded-in for other assets the highest possible trade-in price is negotiated; and
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the leasing of movable and immovable assets are reviewed annually.

Disposal of immovable capital assets

- 6.7 Subject to the provisions of this policy, the disposal of immovable capital assets shall be effected by means of competitive bidding, or by evaluated or negotiated price if no more than one company is bidding.

Key principles and values

- 6.8 The Municipality has a core responsibility to acquire land and buildings for its own use for purposes of –
- (a) developing and maintaining municipal infrastructure;
 - (b) promoting service delivery;
 - (c) facilitating social and economic development; and
 - (d) facilitating spatial integration.
- 6.9 Taking into account reasonable expected future requirements, land assets unrelated to these responsibilities are, by implication, surplus to the Municipality's requirements.
- 6.10 The Municipality further has a responsibility in terms of acquiring, managing, developing and releasing land, buildings and rights there-in or there-on on behalf of residents and ratepayers. In this regard the key consideration is that the best interests of the Municipality (and thus the residents) rather than that of individuals should be paramount in all real estate transactions that the Municipality enters into. This demands that, in all transactions that the Municipality enters into, there should be maximum benefit to the Municipality, its operational requirements and the local community.
- 6.11 Certain interventions are regularly necessary in land transactions pursued by the Municipality as compared to those of the private property market. As the private property market is solely concerned with maximising capital gain, as opposed to the role of the Municipality in acting in the best interests of local communities, it follows that the Municipality will not singularly follow the processes and values of the private property market. Moreover, the historic accumulation of land and property is highly varied and the need for redistribution and reform in this regard must be addressed.
- 6.12 Land and buildings affect the entire Municipality and straddle all organisational units of the Municipality. Therefore, the Municipality's policy in this respect must support its sectoral policies such as economic development, environment management, land use, housing, social and community infrastructure, physical planning and infrastructure and culture and recreation. Market forces will always be the point of departure in any property transaction and must be recognised and acknowledged.
- 6.13 The policy regarding the disposal of immovable property includes any right, interest or servitude therein or there over and must also take account of other legislation, policies and practices relating to land use, health, the built and natural environment and safety. The Municipality, in subscribing to affirmative action principles, must therefore incorporate these principles within its real estate management process to redress practices of the past.

Categories of land assets

- 6.14 The Municipality's land assets are categorized as follows:
- (a) Land intended to be developed for residential purposes;
 - (b) Land intended to be developed for commercial and industrial purposes;
 - (c) Land intended to be developed for social purposes, including religious, educational and institutional purposes;

- (d) Land intended to be developed for sport and recreation purposes; and
- (e) Land intended for agricultural purposes.

Manner of disposal of the Municipality's various categories of land assets

- 6.15 Land incapable of development on its own within predominantly residential areas (e.g. sanitary lanes and unutilised substation erven) will be offered in ownership to the respective adjoining owner(s) at market value. Each transaction will be subject to a rebate of 50%. The purchaser will be responsible and liable for any and all costs associated with the possible relocation of municipal service infrastructure, rezoning, survey, registration and transfer. The creation of a free-standing lot will in each instance be preferred in order that new residential opportunities are created, subject to the Council's policy regarding minimum lot sizes for various uses.
- 6.16 Residential land capable of development on its own will be offered for sale by means of competitive bidding or public auction, as the Council may prefer from time to time, subject to an upset price that is marketed related and will, within certain pricing cohorts (as determined by the Council from time to time) be allocated to take account of **Black people**, provided that residential land intended for development and sale to beneficiaries of a housing programme of the national or provincial government, shall be offered for sale by means of private treaty at a price determined by the Council that takes into account the plight of the poor.
- 6.17 In pursuit of the Council's policy stated in par 6.16, the Council shall at least once during every financial every year –
 - (a) Consider a list of all residential properties that may be sold during the financial year in question;
 - (b) Determine the upset price of each such property;
 - (c) Determine the permissible use of each such property; and
 - (d) Set the terms and conditions of sale of each such properties.
- 6.18 As soon as the Council has made the decisions required in terms of par 6.17, the Municipal Manager shall cause an invitation to bid for the purchase of the properties contained in the approved list to be published.
- 6.19 The Municipal Manager shall, as soon as reasonably possible after the closing date for bids in terms of par 6.18, consider and award bids, provided that no bid in respect of the purchase of a property that is lower than the upset price shall be awarded without the express approval of the Council.
- 6.20 The Municipal Manager shall cause a report concerning the outcome of the bidding process to be submitted to the Council.
- 6.21 Any property that has not been sold as a result of the bidding process shall remain available for sale by private treaty for the remainder of the financial year during which it was subjected to the bidding process.
- 6.22 Land that has been acquired primarily for housing or residential purposes which is thus not immediately required for the Municipality's need's will be offered on a short-term lease basis. The rental payable will be at a market rate, unless the Council determines otherwise. The property will be offered for rent by private treaty.

- 6.23 Commercial and industrial land that is incapable of development on its own will be offered in ownership to the respective adjoining owner(s) at market value. The purchaser will be responsible for any and all costs associated with the possible relocation of services, rezoning, survey, registration and transfer.
- 6.24 Commercial and industrial land that is capable of development on its own will be offered for sale by public competition (either by public auction or competitive bidding as the Council may prefer from time to time), subject to an upset price that is marketed related and such other conditions supporting the policies and programmes of the Municipality as the Council may decide from time to time.
- 6.25 Land which is located within an area of specific focus or which is subject to a specific development or social programme may be offered for sale or lease, as the Council may determine on a case-by-case basis, through a competitive bidding process. In such instances the maximisation of return will not necessarily be the determining factor and the aims of the Municipality will be clearly articulated in the bid documentation. Land in this category may, within certain pricing cohorts (as determined by Council from time to time) be allocated to take account of **Black people**.
- 6.26 Commercial and industrial land not immediately required for the Municipality's needs is land that has been acquired for a capital project which has yet to commence. The property will be offered on a short-term lease basis and the notice period will vary based on when the property will be required. The rental will be at a market rate, unless determined otherwise by the Council.
- 6.27 Ownership of social sites will be offered by means of competitive bidding. Bidders will be subject to a screening process that will take account, amongst other things, of the needs of the community, the nature of the organisation and its ability to discharge its intentions. Sale will be subject to a predetermined price that is market related, or as may be determined by Council.
- 6.28 Amateur sports bodies are those bodies that are providing sporting opportunities of a nature as may be approved by Council from time to time. In this regard not all sport activity, notwithstanding its possible amateur status, is recognised as a responsibility of the Municipality. However, the Council recognises that amateur sports bodies provide a valuable service to the community in terms of recreation and development and assist the Council in the discharge of its responsibilities. Accordingly -
- (a) Land will be offered in an open and competitive process on a lease-hold basis;
 - (b) The lessee will be restricted to amateur status;
 - (c) The lease will be subject to development clauses to ensure the discharge of its intentions;
 - (d) Rental will be established on the basis of a nominal rental for the total land component of the lease as may be approved by the Council from time to time, together with a percentage of the actual market value of 50% of the land occupied by any buildings erected by the body concerned, such percentage being determined by Council from time to time;
 - (e) The lessee will not be liable for rates, but will be responsible for the costs of services consumed;

- (f) The lease will be subject to conditions to allow the Municipality, through its departments, to utilise the grounds, subject to further terms and conditions as agreed by the lessee and the Council;
- (g) The lease will preclude discrimination in the membership of the body concerned and the use of the facilities on any grounds as well as any scheme that may result in the exclusion of any person based on her/his physical features or origins;
- (h) The lease will recognise that the Municipality has limited responsibility in terms of providing for sports and recreation opportunities;
- (i) The lease will ensure that the Municipality retains a minimum base of sport and recreational venues, which might vary from community to community as well as be constrained by operating and capital budgets; and
- (j) Where existing facilities are being taken over, the lease will recognise the asset value of development already existing, whether this has been directly funded by the Municipality or not.

6.29 Agricultural land shall be offered for sale by means of competitive bidding, subject to an upset price that is marketed related and will, within certain pricing cohorts (as determined by the Council from time to time) be allocated to take account of **Black people**.

Transactions with Provincial or National Government

6.30 Whenever the Provincial or National Government desires to obtain land owned by the Municipality, ownership in such land shall be offered to the relevant organ of state at the full market value.

Part 2 Disposal of other assets

- 6.31 Only movable assets that have been declared unserviceable, redundant or obsolete may be disposed of.
- 6.32 A movable asset that has not yet reached its estimated asset lifespan in terms of generally recognised accounting practices (GRAP) may not be declared unserviceable, redundant or obsolete without the express written approval of the Municipal Manager.
- 6.33 The departmental head who is responsible for the management of the asset concerned shall not later than 31 October of each year supply the Asset Management **Section** with a list of assets the control of which vest in her/him that has, in her/his opinion, become redundant, unserviceable or obsolete.
- 6.34 The Asset Management **Section** shall inspect the assets included in a list in terms of paragraph 6.33 and shall submit a report on its findings to the Municipal Manager. The departmental head concerned shall supply such assistance as may reasonably be required for the purpose of an inspection to the Asset Management **Section**.
- 6.35 The Municipal Manager shall consider the report and recommendations of the Asset Management **Section** and shall determine which assets mentioned in the report is

unserviceable, obsolete or redundant. The decision of the Municipal Manager regarding an asset is final.

- 6.36 Any asset that has been declared unserviceable, obsolete or redundant must be kept in a place indicated by the manager responsible for corporate asset management until its disposal is decided on.
- 6.37 If an asset that has been declared redundant, obsolete or unserviceable has been financed by means of a loan not yet fully redeemed, the Chief Financial Officer must determine the method in accordance with and source from which the outstanding balance of the loan will be repaid.
- 6.38 The Asset Management **Section** shall determine the best method for disposing of any unserviceable, redundant and obsolete assets, including written quotation, competitive bid, public auction or by private treaty at market related prices: Provided that –
 - (a) in the case of computer equipment the provincial department of education must first be approached to indicate whether any educational institution may be interested in the equipment; and
 - (b) redundant, unserviceable or obsolete firearms shall, under the supervision of the SAPS, be destroyed.
- 6.39 The provincial department of education shall be deemed not to be interested in any equipment offered to it in terms of paragraph 6.38 if it has not indicated its interest in writing within 30 days after the offer has been made.
- 6.40 No redundant, unserviceable or obsolete computer equipment shall be transferred to the provincial department of education or be sold in any manner unless the manager responsible for information technology services certifies in respect of each such computer that its hard drive has been formatted and that no data of the Municipality or any software programmes of which the Municipality is the owner or holder of a licence is stored on such computer.
- 6.41 The Asset Management **Section** shall submit its report and recommendations in terms of paragraph 6.38 to the Municipal Manager.
- 6.42 The Municipal Manager shall consider the report and recommendations of the Asset Management **Section** and shall determine the most advantageous method of disposing of the assets referred to in the report, and submit a report to council for consideration
- 6.43 The Asset Management **Section** shall dispose of the assets as determined by the Council.

CHAPTER 7 REGISTER OF ACCREDITED PROSPECTIVE SUPPLIERS

Part 1 Register of accredited prospective suppliers

Register of accredited prospective suppliers

- 7.1 The Municipal Manager shall establish and maintain a Register of Accredited Prospective Suppliers by means of an electronic database to be used for the procurement requirements of the Municipality for acquisitions below R 200,000. The register must have separate lists per commodity and per type of service.

Procedure for establishing and maintaining the register

- 7.2 The Municipal Manager shall within 30 days of the adoption of this policy cause an invitation to be enrolled in the Register to be published and shall, in such notice, stipulate the information that must be submitted and the closing time and date for submission of such information. The Municipal Manager shall thereafter during February of each year by public notice invite prospective suppliers to apply for evaluation and inclusion in the Register **as well as to invite existing suppliers to update their profiles. It will be the suppliers' own responsibility to provide the municipality with a tax verification pin in order to check the tax status of the service provider. Suppliers must be registered on Central Supplier Database (CSD) in order to do business with Matjhabeng Local Municipality.**
- 7.3 The Municipal Manager shall make appropriate arrangements to ensure as far as is reasonably possible that –
- (a) the register is updated at least quarterly;
 - (b) prospective suppliers can at any time apply for evaluation and inclusion in the register;
 - (c) no prospective supplier whose name appears on a database maintained by the National Treasury as a person prohibited from doing business with the public sector, is included in the Register; and
 - (d) applications for registration as accredited suppliers may be submitted electronically.
 - (e) Prospective suppliers must pay a non-refundable fee of R200.00 for registration on the database of the municipality
- 7.4 The Municipal Manager shall before she/he publishes an invitation in terms of paragraph 7.2 cause to be compiled a prospective supplier information questionnaire and transmit or give it to all applicants who respond to the invitation, all existing contractors of the Municipality and all known suppliers for completion. Information required shall include –
- (a) Details of the form of the enterprise, e.g. sole proprietor, close corporation, private or public company, trust or any other legal form. Satisfactory proof of the enterprise's legal form must be submitted with its application;
 - (b) Registration details regarding income tax, value-added tax, unemployment insurance and skills development levy;
 - (c) Postal and physical address of prospective suppliers that will be used as Dom cilium citadel ET executants for the purpose of submitting offers;

- (d) Citizenship of owners, e.g. South African or other, provided that a juristic person is deemed to be a corporate South African citizen if the majority of its shares or interests are owned by South African citizens;
- (e) Ownership details, e.g. % BLACK PEOPLE ownership of equity;
- (f) Size of enterprise, e.g. micro, small, medium or large;
- (g) Category/ies of goods or services supplied or work performed;
- (h) Number of employees employed by the enterprise; and
- (i) Whether the enterprise is a new (i.e. having been established in the past year) or an existing enterprise.

Evaluation of applications

7.5 In order to ascertain the suitability of applicants for registration, the Chief Financial Officer shall, after consultation with the heads of the Municipality's other departments, –

- (a) evaluate an applicant's capacity and ability to supply goods and services and to complete work, in order to ensure that all contracts or orders awarded are within the capabilities of the enterprise; and
- (b) evaluate the amount of assistance that may be required by each applicant.

7.6 Evaluation criteria shall be based on the following:

- (a) Previous experience;
- (b) Qualifications of owner(s), directors, members, trustees and staff;
- (c) Value of contracts completed in the past year;
- (d) Value and duration of current contracts;
- (e) Persons that may be contacted for references;
- (f) Contracts completed on time and within budget; and
- (g) Contracts awarded as a main contractor or as sub-contractor.

7.7 The Municipal Manager shall,(together with the relevant Head of Department) as soon as possible after the closing time of the invitation in terms of paragraph 7.2 examine and assess all applications submitted.

Registration in register

7.8 An applicant is suitable for registration on the appropriate list in the Register if she/he, in the opinion of the Municipal Manager together with the relevant Head of Department as determined –

- (a) has the capacity in terms of the availability of personnel, financial resources and administrative infrastructure to execute contracts to a specified value;
- (b) has relevant experience of a particular nature related to a specific kind or type of contract;

- (c) has previously executed a contract of a similar nature for the Municipality successfully;
- (d) complies with the Municipality's policy regarding the economic advancement of **black people**; and
- (e) is a small, medium or micro-enterprise.

7.9 The names of potential suppliers considered to be suitable for the specific purpose to undertake contracts shall be included in the appropriate list within the register. The Chief Financial Officer shall, as soon as she/he has registered a prospective supplier in the Register supply that enterprise with a reference number.

Removing entries from the register

7.10 The Municipal Manager shall authorise the removal from the Register –

- (a) the name and other particulars of any supplier at her/his request;
- (b) if the Municipality considers her/him to be no longer suitable to undertake the contracts concerned, provided that the Municipality shall in writing inform the supplier concerned of its intention to remove her/him from the register stating the respects in which the supplier allegedly is no longer deemed to be suitable to undertake the contracts concerned and granting the supplier concerned an opportunity to reply in writing to such notification before the Municipality makes such a decision;
- (c) any person contemplated in paragraph 7.3(c) as soon as it becomes known that her/his name is included in the said database;
- (d) the name and other particulars of a supplier who has been declared insolvent;
- (e) the name and other particulars of any supplier who is a natural person who enters the services of the State or if that person is not a natural person, if any director, manager, principal shareholder or stakeholder is enters into the service of the state;
- (f) who is appointed as an advisor or consultant contracted with the municipality; and
- (g) the name and other particulars of any supplier

7.11 New applications for inclusion in the Register are considered by the Municipality in the light of the circumstances pertaining to each list.

Utilisation of the register

7.12 Unless otherwise directed by the Municipal Manager, invitations to submit quotations for the goods, work or services concerned are limited to the suppliers whose names are included in the relevant lists in the Register. Invitations for quotations from the Register shall be done on rotation basis in such a manner that ongoing competition amongst suppliers is promoted.

7.13 Where no suitable suppliers are available from the Register, quotations may be obtained from other possible suppliers.

Part 2

Appointment of professional service providers

Principle of a roster system

- 7.14 This part outlines the approach of the Municipality in the appointment of professional service providers (PSPs), otherwise referred to as consultants. The Municipality shall, like government departments, appoint PSPs using a roster system. The policy sets out the principles used for the establishment and operation of a roster system for the appointments of PSPs.

Categories of PSPs

- 7.15 This roster system will generally cover, but will not be limited to, the following categories of PSPs.

List	Discipline
A	Integrated development planning and strategic planning
B	Municipal service delivery planning
C	Municipal finance strategy and planning including the development of medium term budgets
D	Human resource management, excluding presiding officers and prosecutors for disciplinary cases
E	Information and communications technology and systems, including design of websites
F	Development of public participation arrangements
G	Economic development
H	Environmental management
I	Advertising, branding and marketing
J	Agri-business development and agricultural extension
K	Project management
L	Corporate communication systems
M	Legal services, excluding presiding officers and prosecutors for disciplinary cases
N	Engineering services
O	Provision of training
P	Performance management
Q	Surveying
R	Designs, architectural services and quantity surveying
S	Presiding officers and prosecutors for disciplinary cases
T	Organisation design, organisation development and business process design/redesign
U	Financial management and accounting

Purpose of the roster

- 7.16 The purposes of the roster are to –

- (a) Enable the Municipality to appoint PSPs efficiently without having to follow a competitive bidding process;
- (b) Ensure that the services are carried out in a professional, competent and cost effective manner;
- (c) Allocate work in a fair and equitable manner;

- (d) Promote access to assignments by **Black people**;
- (e) Provide accelerated work opportunities for black owned and black-empowered companies; and
- (f) Promote and encourage mutually beneficial relationship between established service providers and black-owned companies for capacity building.

Assignment from roster

- 7.17 The Roster will be a single list of PSP firms covering the relevant disciplines and will contain the following data in respect of the offices of every PSP firm –
- (a) the number of registered (where registration is required) active professional personnel employed at the office applying for registration classified in respect of race, gender, disability and age;
 - (b) the disciplines and sub-disciplines in which the office applying for registration is competent;
 - (c) the geographical location of the office applying for registration with a domicilium in the Free State;
 - (d) the empowerment status of the firm applying for registration, i.e. whether it is black-owned or black-empowered;
 - (e) the field(s) of specialisation of the firm applying for registration;
 - (f) the rand value of work done for the Municipality (including previous town councils) since the national elections on 27 April 1994.

Preferential treatment of preferred firms

- 7.18 PSPs that are black-owned and black-empowered shall receive accelerated benefit from inclusion in the roster. Such firms shall qualify for preferred status, will be given accelerated access to work opportunities and will rotate faster on the roster than firms which do not enjoy such status.
- 7.19 The Municipality may require non-**BLACK PEOPLE** firms to enter into structured joint ventures with **BLACK PEOPLE** firms in order to develop skills, competency, expertise and capacity in the latter;
- 7.20 The mechanism for allowing accelerated access to work will be applied as follows.
- (a) Category A (Black-owned enterprises): move up 3 positions during the updating of the list annually;
 - (b) Category B (Black-empowered enterprises): move up 2 positions during the updating of the list annually; and
 - (c) Category C (More than 20% equity in the enterprise is owned by women, differently-abled persons and the youth): move up 1 position during the updating of the list annually.

Financial targets

- 7.21 The following targets will apply in the case of **BLACK PEOPLE** firms, based on estimated professional fees:
- (a) Category A: 40% of the annual value of professional fees;
 - (b) Category B: 30% of the annual value of professional fees; and
 - (c) Category C: 20% of the annual value of professional fees
- 7.22 To achieve the minimum goals set above, **BLACK PEOPLE** PSP firms shall be appointed irrespective of the position on the roster, provided they can demonstrate the ability to undertake and complete the work.

Registration on the roster

- 7.23 PSP firms are encouraged to register by 31 March every year.
- 7.24 No individual may be a principal of more than one PSP firm on the roster, unless such different firms practice different disciplines and offer specialist competencies.
- 7.25 A PSP firm which enjoys **BLACK PEOPLE** status may be registered on the roster without professional indemnity insurance, but will be expected to obtain such insurance upon receipt of an appointment from the Municipality.
- 7.26 In a joint venture between a **BLACK PEOPLE** and non-**BLACK PEOPLE**, the **BLACK PEOPLE** partner shall contribute at least 30% in the joint venture.

CHAPTER 8 PREFERENCES

Preferences for acquisitions

- 8.1 Offers for the acquisition of goods and services shall be adjudicated on the following criteria:
- (a) 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R 30 000 and up to R 50 million, the following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R 30 000 and up to a Rand value of R 50 million, inclusive of all applicable taxes:

$$Ps = 80(1 - \frac{Pt - P \text{ min}}{P \text{ min}})$$

Where

Ps = Points scored for price of the tender under consideration

Pt = Rand value of the tender under consideration

P min = Rand value of lowest acceptable tender

8.1.1 The following table must be used to calculate the score out of 20 for BBBEE:

B-BBE Status Level of Contribution	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-Compliant Contributor	0

- (b) 90/10 preference point system for acquisition of goods or services with Rand value above R 50 million, the following formula must be used to calculate the points out of 90 for price in respect of a tender with a Rand value above R 50 million, inclusive of all applicable taxes:

(i)

$$Ps = 90(1 - \frac{Pt - P \text{ min}}{P \text{ min}})$$

Where

Ps = Points scored for price of tender under consideration

Pt = Rand value of the tender under consideration

P min = Rand value of lowest acceptable tender

8.1.2 The following table must be used to calculate the points out of 10 for BBBEE:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-Compliance Contributor	0

- 8.2 The points scored by a bidder in terms of paragraph 8(a)(i) must be added to the points scored in terms of paragraph 8(a)(ii). The points scored in terms of paragraph 8(b)(i) must be added to the points scored in terms of paragraph 8(b)(ii).

- 8.3 Unless there are reasonable and justifiable reasons, which reasons must be fully set out in the minutes of the meeting concerned, only the offer with the highest number of points scored may be selected.
- 8.4 No preference points shall be awarded for equity ownership if the bidder is a public company.

Cancellation of specific bids

8.5 A bid must be cancelled when –

- (a) in the application of the 80/20 preference point system all bids received exceed the estimated Rand value of **R 50 million**; and
- (b) in the application of the 90/10 preference point system all bids received are equal to, or below, R 50 million

8.6 After cancellation of a bid in terms of paragraph 8.6, the Municipality must re-invite bids stipulating the correct preference point system to be applied.

Preference point system for disposals

8.7 The following formula must be used to calculate the points for price in respect of competitive bids for disposals –

- (a) equal to or above R 30 000 up to a value of **R 50 million**:

$$Ps = 80(1 - \frac{Pt - Pmin}{Pmin})$$

Where –

Ps = Points scored for comparative price of bid / offer under consideration
 Pt = Comparative price of bid / offer under consideration
 Ph = Comparative price of highest acceptable bid / offer

- (b) with a value above **R 50 million**:

$$Ps = 90(1 - \frac{Pt - Pmin}{Pmin})$$

Where –

Ps = Points scored for comparative price of bid / offer under consideration
 Pt = Comparative price of bid / offer under consideration
 Ph = Comparative price of highest acceptable bid / offer

- 8.9 A maximum of 10 or 20 points, as the case may be, may be awarded to a bidder for **BBBEE Status Verification points**.
- 8.10 The points scored by a bidder in respect of **BBBEE** Status verification points must be added to the points scored for price.
- 8.11 Only the bid with the highest number of points scored may be selected.

Principles

- 8.12 In the event that the percentage **BLACK PEOPLE** ownership of any bidder changes after the closing date of a quotation or bid, the bidder must notify the Municipality of the changes. The bidder will, if the percentage **BLACK PEOPLE** ownership increases, not be eligible for any additional preference points. However, should the percentage **BLACK PEOPLE** ownership decrease, the preference points for equity ownership shall be reduced accordingly.
- 8.13 Equity claims for a trust may only be allowed in respect of those persons who are both trustees and beneficiaries and who are actively involved in the management of the trust.
- 8.14 A consortium or joint venture shall be entitled to preference claims, based on the percentage of profit allocated to black-owned and black-empowered enterprises in the consortium or joint venture for the particular contract.
- 8.15 A person awarded a contract as a result of preference for **BLACK PEOPLE** equity may not subcontract more than 25% of the value of the contract to a person who does not qualify for such preference.

Declarations

- 8.16 A bidder must, in the stipulated manner, declare that –
- (a) the information regarding any claim from preference points provided is true and correct;
 - (b) the signatory to the bid document is duly authorised; and
 - (c) documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

Penalties

- 8.17 Where a contract has been awarded on the strength of preference information furnished by the contractor which, after the conclusion of the relevant contract, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may have -
- (a) recover from the contractor all costs, losses or damages incurred or sustained by the Municipality as a result of the award of the contract; and/or
 - (b) cancel the contract and claim damages which the Municipality may suffer as a result of having to make less favourable arrangements; and/or
 - (c) impose on the contractor a penalty not exceeding five per cent of the value of the contract.

CHAPTER 9 GENERAL DIRECTIVES

Conditions and procedures

- 9.1 The general conditions and procedures set out in this policy and code are, subject to paragraph 9.2, applicable to all bids, written and verbal quotations, contracts and orders.
- 9.2 The Municipal Manager may, after consideration of the report and recommendations of the bid specification committee, prior to the Municipality inviting bids or written quotations determine special terms and conditions of contract and offer or procedures to cover the supply of specific goods, the execution of specific work or the rendering of specific services. Where such special terms and conditions or procedures are in conflict with the general terms and conditions and procedures contained in this Code, the special terms and conditions and procedures shall apply.
- 9.3 The Municipality shall not consider any unsolicited bid received outside its normal bidding process.

Communication with the Municipality

- 9.4 All correspondence in regard to this code, the policy and any bid or written quotation and contract -
- (a) must, if made by ordinary mail, be addressed to the Municipal Manager, P O Box 708, Welkom; or
 - (b) may be transmitted to the Municipal Manager at –
 - (i) telefacsimile number 057-391- 2482; or
 - (ii) munman@matjhabeng.co.za if made by electronic mail

Availability of conditions and procedures

- 9.5 Copies of this code and the policy, and any amendment thereto, shall be available -
- (a) free of charge on the Municipality's website; and
 - (b) in hard copy from the Municipal Manager at a price determined from time to time by the Council.

Formal contracts

- 9.6 Formal contracts are concluded with contractors only if the Municipality states it as a requirement in the relevant invitation.
- 9.7 Should the Municipality not require that a formal contract be entered into between the Municipality and the contractor, the bid or quotation, letter of acceptance of and/or official order issued by the Municipality shall be deemed to contain the contract between the parties.
- 9.8 Notwithstanding section 9.7 the municipality is obliged to enter into a formal standard contract with the service provider

- 9.9 The SA Post Office Ltd is deemed to be the agent of the bidder. The Municipality shall post to the bidder concerned by ordinary pre-paid mail at the address furnished in her/his bid or written price quotation or to the address notified later by her/him in writing any and all such documents, orders and correspondence as may be required. Such posting shall be deemed to be proper service of such documents, orders and correspondence. Any period of time mentioned in the bid or written price quotation or in the contract for performing any act after such aforesaid notice has been given, shall be reckoned from the date of posting of such notice.

CHAPTER 10

INVITATION OF WRITTEN PRICE QUOTATIONS AND BIDS

General

- 10.1 The Municipality shall not be liable for any expense incurred by a bidder –
- (a) in respect of the preparation and submission of an offer;
 - (b) when required to do so, for making any presentation or performing any demonstration to the bid evaluation committee or any official authorised to procure goods, services or the execution of work on behalf of the Municipality;
 - (c) in respect of the services of any legal practitioner during any negotiation regarding a contract.
- 10.2 Unless the Municipal Manager directs otherwise, written quotations and bids shall be invited in the Republic only.
- 10.3 The laws of the Republic shall govern contracts arising from the acceptance of any offer.
- 10.4 A bidder must choose domicilium citadel ET executants in the Republic.
- 10.5 The bid number must not appear on any envelope containing enquiries regarding a bid or written quotation. In particular, the bid number must not appear on an envelope containing a request for bid or quotation documents.
- 10.6 Any offer must be filled in and completed in an official language of the Republic.
- 10.7 All prices offered in any offer must be in South African currency.
- 10.8 Should there be any difference or discrepancy between the prices or particulars contained in the official bid or quotation form and those contained in any covering letter of the bidder, the prices or particulars contained in the official bid or quotation form shall in all circumstances prevail.

Steps to be taken prior to inviting written quotations and bids

- 10.9 Before any bid or written quotation for the acquisition of any goods, the execution of any work or the rendering of any service may be invited, the relevant departmental head shall obtain the written approval of the Municipal Manager, whose decision in the matter shall be final, to incur such expenditure if the estimated expenditure will amount to more than R 30,000 (VAT inclusive). The Municipal Manager may –
- (a) refuse the application;

- (b) grant the application but direct that the invitation of quotations or bids be delayed until a date determined by her/him; or
- (c) Grant the application without any conditions.

10.10 No bid or written quotation may be invited for the supply of any goods, the rendering of any service or the execution of any work unless –

- (a) adequate provision has been made to cover the full amount of the expenditure to be incurred in the appropriate budget; and
- (b) the bid documentation, including the specifications, if any, of the goods to be acquired, work to be executed or service to be rendered has been submitted to the bid specification committee and approved by the Municipal Manager if the estimated total value of the contract will exceed R30,000 (VAT inclusive).

10.11 If it is expected that the actual expenses (inclusive of VAT and disbursements) that must be incurred for the acquisition of any goods, execution of any work or rendering of any service for which provision has been made in the budget will exceed the amount provided in the appropriate budget and in respect of which the Municipal Manager has granted approval in terms of paragraph 10.9, the departmental head concerned must obtain the approval of the Executive Mayor for the over-expenditure prior to inviting bids or written price quotations. The Executive Mayor shall include any authorisation which she/or may grant in the adjustments budget for consideration by the Council. The decision of the Executive Mayor regarding the matter shall be final.

10.12 If its is clear, after quotations or bids have been invited and opened that the expenses to be incurred in relation to a contract will exceed the approved budget vote, the departmental head concerned must –

- (a) obtain the approval of the Executive Mayor for the over-expenditure prior to submitting her/his report regarding the quotations or bids to the bid evaluation committee, provided that the Executive Mayor shall include any such authorisation in the adjustments budget for consideration by the Council; or
- (b) Recommend to the bid evaluation committee that the Municipality not accept any quotation or bid or to accept only part of a quotation or bid in order not to exceed the amount proved for in the budget.

10.13 The Executive Mayor shall not approve an application in terms of paragraph 10.11 or 10.12(a) unless the departmental head concerned, after consultation with the Chief Financial Officer, indicates the budget vote or votes under which money can or has been saved and reallocated to the budget vote or votes that will be exceeded. Any saving and reallocation of money between votes must be in the same budget.

Bids for the supply of information technology related goods or services

10.14 The Municipal Manager –

- (a) may request the State Information Technology Agency (SITA) to assist the Municipality with the acquisition of information technology related goods or services through a competitive bidding process;

- (b) may enter into a written agreement to regulate the services rendered by, and the payments to be made to, the SITA; and
- (c) Shall notify the SITA together with a motivation of the information technology needs of the Municipality if -
 - (i) The transaction value of information technology related goods or services required by the Municipality in any financial year will exceed R50 million (VAT included); or
 - (ii) The transaction value of a contract to be procured by the Municipality whether for one or more years exceeds R50 million (VAT included).

10.15 If SITA comments on the submission and the Municipal Manager disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the provincial treasury and the Auditor General.

Bid documentation

10.16 Bid documentation must specify that the Municipality shall not consider any offer unless the supplier who submitted the quotation or bid -

- (a) Has furnished the Municipality with her/his -
 - (i) Full name;
 - (ii) Identification number, if she/he is a natural person, or company or other registration number; and
 - (iii) Tax reference number and VAT registration number, if any;
- (c) Has authorised the Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order;
- (d) The Municipality may not make any award to bidders above R 30 000.00 whose tax matters have not been declared by South Africa Revenue Services to be in order.
- (c) Has indicated -
 - (i) Whether she/he is in the service of the state, or has been in the service of the state during the previous twelve months;
 - (ii) if the supplier 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 during 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 during the previous twelve months;
- (d) has supplied and attached to her/his bid or quotation a certified copy of her/his registration certificate in terms of section 16(7) of the Construction Industry Development Board Act 2000 (Act No 38 of 2000) together with her/his bid if the contract is for the execution of work;

- (e) Is registered in terms of the Banks Act 1990 (Act No. 94 of 1990) if the bid involves the procurement of banking services; and
- (f) has supplied and attached to her/his bid or quotation a certificate or declaration in terms of section 53(1)(b) of the Employment Equity Act 1998 (Act No 55 of 1998).

10.17 The bid documentation must -

- (a) Take into account -
 - (i) The general conditions of contract set out in Chapter 15;
 - (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 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) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic; and
- (e) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) Registration of the company with relevant institutions as required by any applicable law

10.18 The relevant bid specification shall, where applicable, indicate the quantity of any goods that must be supplied, using one of the following methods –

- (a) a quantity which may not be varied without mutual consent between the Municipality and the contractor;
- (b) a quantity which may be subject to a percentage increase or decrease;
- (c) a maximum quantity where the minimum quantity ordered cannot be guaranteed but where the maximum quantity may not be exceeded without the consent of the contractor;
- (d) a quantity not specified; or
- (e) A quantity not guaranteed.

10.19 The Municipality does not bind itself to accept the offer of any bidder for, or purchasing, the exact quantity of any item or items specified in the quotation or bid documents or invitation to submit offers for any item or items but may alter such quantities as it deems necessary for its requirements and to suit its present stock and other reasonable considerations, provided that this stipulation applies, with the necessary changes, to any stipulated timeframe for the delivery of any goods, the rendering of any service and the execution of any work.

10.20 The Municipality reserves the right to vary the quantities of any goods actually purchased in terms of the contract concerned, provided that that any such variations shall not increase or decrease the total contract price by more than 20 per cent.

10.21 All quantities offered or delivered shall be net mass and/or metric measure.

Publication of bid invitations

10.22 Invitations soliciting written quotations and bids shall be published under the name and signature of the Municipal Manager.

10.23 An invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers of record, the website of the municipality and any other appropriate ways.

10.24 A copy of any notice inviting bids shall be posted on the Municipality's –

- (a) notice boards in all its office-buildings; and
- (b) website
- (c) **All bids must be advertised on the E-Tender publication portal containing the following information:**
 - Bid Description
 - Bid Number
 - Name of Municipality
 - Physical location where the goods, services or works specified in the bid are required;
 - The closing date and time of the bid
 - Municipality's contact details (postal and physical address, telephone number and Email address)

(d) All awards made must be published with the following information on E-tender publication portal:

- Name of the successful bidder and preference points claimed.
- Contract price.
- Contract period.
- Contact details.
- Name of Directors and;
- Date of award and completion date.

Not later than the date of publication and shall be maintained on such notice boards and website until the closing time on the closing date: Provided that –

- (i) where accredited suppliers have been identified in respect of the subject matter of any quotation, such notice shall be transmitted to them; and
- (ii) invitations soliciting written quotations for contracts with an estimated value exceeding R 30,000 (VAT inclusive) shall be published only as specified in paragraphs (a) and (b).

10.25 The notice inviting offers shall stipulate –

- (a) the nature of the goods, services or work required by the Municipality;
- (b) whether the Municipality has prescribed quotation or bid documents relating to the specific enquiry that must be used;
- (c) where and at what cost, if any, such documents may be obtained;
- (d) if applicable, the quantity of the items the Municipality wishes to purchase where there are no documents indicating such quantities;
- (e) the closing date and time of the quotation or bid concerned, 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, provided that the Municipal Manager may, on a case by case basis, in writing determine a closing date for the submission of bids which is less than the 30 or 14 days, as the case may be, 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 prescribed procurement process;
- (f) the number of the quotation or bid;
- (g) the contact details of the person to whom enquiries with regard to a quotation or bid may be directed;
- (h) whether or not prospective bidders are required to attend any compulsory meeting prior to submission of a bid and the time, date and venue of such meeting;
- (i) the preference point system that will be applied during the adjudication of offers;
- (j) that it is an objective criterion of the offer concerned, in accordance with section 2(1)(f) of the Preferential Procurement Policy Framework Act, that bidders must have the

necessary skills, experience and capacity to perform the required work and that bidders must provide at least 3 references of similar work done previously;

- (k) that the Municipality has the right not to accept any offer or only part of an offer if –
 - (i) the offered amounts are too high;
 - (ii) the bidders do not comply with the specific bid goals; or
 - (iii) objective criteria exist which justify or necessitate the non-acceptance of any offer;
- (l) the place where and manner in which offers must be submitted; and
- (m) Any other relevant information.

Charge for documents

- 10.26 A charge, as determined by the Chief Financial Officer and stated in the invitation to bid, shall be raised for bid documents.

Availability of specifications

- 10.27 Where SABS or any other specifications are referred to in quotation or bid documents, any bidder has the right to consult such specifications during office hours at the Municipal Manager's office or to purchase copies thereof from the Municipality at a price determined by the Council.

Procurement of consulting services

- 10.28 The Municipal Manager may procure consulting services for the Municipality, provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- 10.29 A contract for the provision of consulting services to the Municipality 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.
- 10.30 In addition to any requirements prescribed by this policy and Code for competitive bids, bidders for providing consulting services must furnish the Municipality with particulars of -
- (a) All consulting services provided to an organ of state in the last five years; and
 - (b) Any similar consulting services provided to an organ of state in the last five years.
- 10.31 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 rendering a consulting service vests in the Municipality.

Closing of bids

- 10.32 Submission of offers close at 12:00 on the closing date indicated in the invitation to quote or bid. No offer may close on a Saturday, Sunday or public holiday.
- 10.33 The Municipal Manager may in her/his sole discretion, extend the closing date of any invitation to submit offers in exceptional circumstances, provided that a further notice to this effect is published before the closing date.

CHAPTER 11 LODGING AND OPENING OF OFFERS

Bid box

- 11.1 The Chief Financial Officer shall supply and maintain a lockable bid box at the Municipality's administrative headquarters in a place that is accessible for the public during normal business hours. The bid box must –
 - (a) have an opening in the top or front through which bids may be dropped but which is not large enough for any package or envelope deposited there-in to be removed through such opening;
 - (b) Be clearly marked; and
 - (c) Securely fixed to the floor or a wall of the place where it is provided in a manner that would prevent it from being removed from that place.
- 11.2 The Chief Financial Officer shall ensure that the bid box is always locked, except when quotations and bids are removed from it in terms of this policy and Code, and that the key to it is kept in a safe place.

Lodging of bids

- 11.3 Bids, in sealed envelopes, shall during normal office hours be lodged not later than the closing time on the closing date specified for their receipt by deposit in the bid box at the Municipality's administrative headquarters situated at the Civic Centre, State Way, Welkom.
- 11.4 All bids received by ordinary mail or courier in a sealed envelope or package with the relevant bid number on the envelope or package shall be deposited forthwith and unopened in the bid box until the closing time of the bids concerned.
- 11.5 No bid received by electronic mail, telefacsimile, telex, telegram or similar device shall be accepted for consideration.
- 11.6 No official or councillor of the Municipality or service provider engaged by the Municipality or employee of such service provider shall accept receipt of a bid and promise or undertake to deposit such bid in the bid box.

Lodging of written quotations

- 11.7 A written quotation may be submitted by electronic mail or telefacsimile message, provided that an original, signed and properly completed quotation shall be submitted upon request of the Municipality.
- 11.8 The Municipality is not liable for the information contained in any quotation submitted by electronic mail or telefacsimile being properly and completely transmitted or for any delay in its transmission or receipt.
- 11.9 No official or councillor of the Municipality or service provider engaged by the Municipality or employee of such service provider shall receive a price quotation sent by electronic mail or telefacsimile and promise or undertake to deliver such quotation to the relevant person, except in the normal course of her/his duties.
- 11.10 A written quotation submitted by electronic mail or telefacsimile shall not be accepted for consideration unless all the pages of such quotation have been received by the closing time on the closing date.

Documents to be used and information to be furnished

- 11.11 Bidders are required to –
- (a) make use of the prescribed quotation or bid documents, if any;
 - (b) insert the prices offered and other required information in the appropriate spaces on the prescribed forms;
 - (c) furnish all further information called for in the documents; and
 - (d) supply such pamphlets, samples and other information as may be required.
- 11.12 An offer may be rejected as invalid if the bidder fails to –
- (a) submit an offer signed in ink;
 - (b) complete the quotation or bid documents, certificates, questionnaires, specification forms and other documents in all respects;
 - (c) state the price offered in South African currency;
 - (d) include sufficient information to determine whether the offer complies to the specifications;
 - (e) fails to renounce any terms and conditions set by the bidder when called upon to do so;
 - (f) accept the terms and conditions of quote or bid set out in this code and the relevant documents;
 - (g) disclose the country of origin and the name of the manufacturer of any goods offered;
 - (h) furnish the Municipality with her/his -
 - (i) full name;
 - (ii) identification number or company or other registration number; and

- (iii) tax reference number and VAT registration number, if any;
- (i) authorise the Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order;
- (j) Indicate -
 - (i) Whether he or she is in the service of the state, or has been in the service of the state during the previous twelve months;
 - (ii) if the supplier 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 during 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 during the previous twelve months;
- (k) supply, attached to her/his bid or quotation, a certified copy of her/his registration certificate in terms of section 16(7) of the Construction Industry Development Board Act 2000 (Act No 38 of 2000) together with her/his bid if the contract is for the execution of work; or
- (l) supply, attached to her/his bid or quotation, a certificate or declaration in terms of section 53(1)(b) of the Employment Equity Act 1998 (Act No 55 of 1998).

Municipality's terms and conditions shall prevail

- 11.13 The bidder shall, when submitting an offer, be deemed to have satisfied her/him as to all the terms and conditions and procedures relating to, and circumstances affecting, the offer concerned.
- 11.14 Except when the Municipality expressly agrees thereto, offers shall not be qualified by the bidder's own conditions.
- 11.15 The bidder shall be deemed to know and understand any general and specific terms and conditions of purchase and contract and the submission of an offer shall presume complete acceptance of the said terms and conditions. Variation by the bidder of the terms and conditions afore-said may render the offer liable for rejection.
- 11.16 No term or condition contained upon any stationary used by a bidder for the purpose of, or in connection with, an offer shall form part of the contract between the Municipality and the bidder. If the offer concerned is accepted where such term or condition is in conflict with any general or specific terms and conditions of purchase set by the Municipality, the term or condition set by the Municipality shall prevail in all circumstances.

Identification requirements

- 11.17 Each bid shall be addressed and marked for identification in accordance with the directives in the invitation to bid and shall be lodged in a separate sealed envelope or package with the name and address of the bidder, the bid number and the closing date indicated on the envelope.

- 11.18 Each written quotation submitted by ordinary mail or delivered by hand shall be addressed and marked for identification in accordance with the directives in the invitation to quote and shall be lodged in a separate sealed envelope or package with the name and address of the bidder, the quotation number and the closing date indicated on the envelope.

Invalid offers

- 11.19 No bids forwarded by telegram, telex, telefacsimile, electronic mail or similar apparatus shall be considered.
- 11.20 Photocopies of bids or photocopies of facsimiles which are lodged in the prescribed way and in which the relevant documents, forms and certificates are signed in ink, after being copied, are accepted as valid bids.
- 11.21 Offers shall not be included in packages containing samples and such offers may be rejected as being invalid.

Late offers

- 11.22 An offer is late if it is received at the address indicated in the quotation or bid documents or discovered in the bid box after the specified closing time.
- 11.23 A late offer shall under no circumstances be admitted for consideration. Where practicable a late offer shall be returned unopened to the bidder accompanied by a written explanation.

Quotations or bids received open

- 11.24 Where the envelope or package containing an offer is received open, it shall be sealed and the person receiving and sealing it, shall endorse the envelope or package in ink as follows
—

“Quotation/Bid received open. Sealed by me”

and sign her/his name, job title and the time and date underneath such statement and deposit such envelope or package in the bid box.

Opening of quotations and bids

- 11.25 An employee instructed by the Chief Financial Officer shall, accompanied by an official of the purchasing department who was designated by the relevant departmental head and in the presence of such bidders as may be present, immediately after the closing time for offers as stipulated in the invitation to submit offers, unlock the bid box and remove all offers found there-in. If at that time there are offers in the bid box that has not yet closed, such offers shall be replaced in the bid box, where after the bid box shall be locked.
- 11.26 Offers are opened in public as soon as practicable after the closing time and in the presence of such bidders as may be present.
- 11.27 As soon as an offer has been opened, the representative of Chief Financial Officer shall enter into the bid register the name of the bidder, the price offered and such other particulars regarding every offer as may be appropriate, including any quotations received by electronic mail and telefacsimile.

- 11.28 Except as provided for herein, the names only of the bidders are read out, if so requested, at the time of opening of offers and after the offers received has been entered into the bid register. The prices offered shall be disclosed on request at the time of opening of the offers.
- 11.29 The bid register contemplated in paragraph 11.27 shall –
- (a) be available for public inspection during office hours at the office of the Chief Financial Officer; and
 - (b) be published on the Municipality's website.

Handing over of offers received to the purchasing Department

- 11.30 The Chief Financial Officer's representative shall, as soon as she/he completed the bid register and complied with paragraph 11.28, hand the offers to the purchasing Department's representative against her/his signature.

Samples

- 11.31 When samples are called for in quotation or bid documents, such samples (marked with the quotation or bid and item number as well as the bidder's name and address) shall be dispatched to the Municipality so as to reach it not later than the closing time of the quotation or bid. Samples may be sent by air but if same are air-freighted, shall be delivered by the bidder's own agent, at her/his own expense and risk. No employee or councillor of the Municipality or a service provider of the Municipality or an employee of such a service provider may offer or agree to fetch any package containing samples from an airport or agent of a bidder. Offers shall not be included in parcels containing samples and samples shall not be included in parcels containing offers.
- 11.32 If samples are not submitted as requested, the offer concerned may be declared invalid.
- 11.33 Samples shall not be submitted in support of offers unless called for in the quotation or bid documents.
- 11.34 Samples shall be supplied by a bidder at her/his own expense and risk and the Municipality shall not be obliged to pay for, or to return, such samples. The Municipality reserves the right to dispose of samples not returned to a bidder at its own discretion. When samples have served their purpose and are to be returned to the bidder, the bidder shall be given written notice to remove the samples at her/his own expense and risk within a specified period, failing which the bidder concerned forfeits ownership of the samples and the samples shall forthwith be disposed of at the discretion of the Municipality.
- 11.35 Where an offer is accepted for the supply of goods according to a sample submitted by the bidder, such sample becomes the contract sample and further samples as required for the purposes of the contract shall be provided by the contractor as requested by the Municipality and at the contractor's own expense and risk.

Validity period of quotations and bids

- 11.36 The period for which offers shall remain valid and binding for the period indicated in the quotation or bid documents, which period shall be calculated from the closing date.
- 11.37 Offers shall remain in force and binding until the close of business on the last day of the period calculated, provided that if that day falls on a Saturday, Sunday or public holiday, the

offer shall remain valid and binding until close of business on the first working day following such Saturday, Sunday or public holiday.

Bid prices and delivery periods

- 11.38 Firm quoted and bid prices and delivery periods shall be preferred.
- 11.39 The following considerations shall apply when quotations and bids with non-firm prices and delivery conditions are evaluated:
- (a) Claims in respect of exchange rate fluctuations, in the case of firm as well as non-firm prices.
 - (b) The bid evaluation committee may, where non-firm prices are offered, require that proof of labour and material costs or other factors which are specified by the bidder, must be submitted.
 - (c) Where a range of delivery periods is quoted, the worst implied or stated delivery period is used when calculating comparative prices.
 - (d) Where a bidder has not indicated whether her/his prices or delivery periods are firm or not, the offered prices and delivery periods are deemed to be firm and the contractor shall be bound thereby.
- 11.40 Expressions such as "soonest" or "earliest" or delivery periods which are unspecified shall not be accepted.

Alternative offers

- 11.41 Offers which are to specification shall be preferred.
- 11.42 A bidder may, unless otherwise directed by the Municipal Manager, submit offers which are almost, but not strictly to, specification irrespective of whether she/he also submits one or more offers conforming strictly to specification.
- 11.43 Alternative offers which are made in addition to offers that conform to the stated specifications, shall be submitted on separate copies of the quotation or bid documents.
- 11.44 Any alternative offered by a bidder may only be accepted for consideration if it, in the opinion of the bid adjudication committee, or the Municipal Manager, as the case may be, is to the Municipality's economic and technical advantage.
- 11.45 In the event of offers for the supply of goods or the execution of work differing or varying from the requirements of the specification, all such variations and differences shall be indicated clearly and described in the offer.

Partial quotations and bids

- 11.46 Offers may be submitted for some of the specified items or part of the specified quantity or requirement in respect of contracts for the supply of goods and the rendering of services only.

Bids for banking services

- 11.47 No bid for providing banking services to the Municipality may be for a period of more than five years.

CHAPTER 12

PREPARATION OF QUOTATION AND BID REPORTS

Commencement with evaluation

- 12.1 The relevant departmental head shall, as soon as reasonably possible after the offers have been opened, prepare the bid report.
- 12.2 The departmental head may –
- (a) instruct an official in her/his department to prepare the bid report; or
 - (b) If the offer involves the execution of work or the supply of goods the specifications and other bid documents of which have been prepared by an external service provider appointed by the Municipality, instruct such service provider to prepare the bid report.

Sorting of offers

- 12.3 The person preparing the bid report (hereinafter called the evaluator) shall separate the offers according to those complying in all respects with the relevant specifications, if any, and those that do not.
- 12.4 Thereafter the offers complying with the specifications shall be further sorted according to those offers the maximum price of which is within the amount appropriated in the approved budget and those that are not, and thereafter the offers not complying with the specifications shall be similarly sorted.
- 12.5 Once the offers have been sorted in terms of paragraph 12.4, the evaluator must further sort them according to –
- (a) whether or not the bidder claimed any preferences in terms of this policy and code; and
 - (b) Whether or not the bid documentation has been signed in ink by a person who has been authorised to do so.

Evaluation procedure

- 12.6 As soon as the offers have been sorted in terms of paragraphs 12.3 to 12.5, inclusive, the evaluator shall, starting with those offers that in all material respects comply with the specifications, if any, determined in the bid documents and that offer prices that are within the amount provided for in the appropriate budget for the expense to be incurred, bring the offers to the comparative price level by deducting valid claims for preferences and adding delivery and other incidental cost and bringing implied contract price adjustments into account.
- 12.7 Thereafter, offers that are within the provision made for the expense in the appropriate budget that offers the goods, work or services departing from the prescribed specifications, if any, shall be evaluated by determining whether the specifications offered shall be adequate in terms of the quality standards expected by the Municipality and such other reasonable and relevant criteria, including availability of spare parts, durability and aesthetic appearance.
- 12.8 As soon as the quotations or bids referred to in paragraph 12.7 has been evaluated, the evaluator shall repeat the processes in paragraphs 12.6 and 12.7, respectively, in relation to

those offers that offer prices that are more than the amounts provided for in the appropriate budget.

Determination of BLACK PEOPLE equity ownership

- 12.9 Equity ownership in any enterprise which submitted an offer and which claims preference points based on BLACK PEOPLE ownership, shall be equated to the percentage of the enterprise concerned which is owned by **Black people**, or in the case of close corporations and private companies, the percentage of shares or interest, as the case may be, that are owned by **Black people** who are actively involved in the daily management and operation of the enterprise and who exercises control over the enterprise commensurate with their degree of ownership. If any BLACK PEOPLE in respect of whom preference points are claimed is not actively involved in the daily management and operation of the enterprise and does not exercise control over the enterprise commensurate with their degree of ownership, the bid evaluation committee may adjust the preference points awarded by the evaluator.

Format of the bid report

- 12.10 The bid report shall state –

- (a) The purpose of the report;
- (b) The purpose of the quotation or bid;
- (c) Whether the invitation to quote or to bid was published or extended only to preferred suppliers;
- (d) The amount of money provided for in the budget for the expense to be incurred, as well as the number of the relevant budget vote which will be debited with payments resulting from the offer;
- (e) A list of offers that are considered to be invalid in terms of the code and policy and the reason for their invalidity;
- (f) The criteria that were used to determine the appropriateness of offers offering alternative specifications than those prescribed;
- (g) A list, in the form of a separate schedule, of the valid offers that must be considered, separating bids according to the criteria determined in paragraphs 12.6 to 12.8, inclusive;
- (h) If the acceptance of the offer will result in over expenditure of the relevant budget vote, recommendations regarding financing of any excess or accepting only part of the offer;
- (i) Any incident of a bidder making a misleading or false claim or supplying false or misleading representations in her/his offer, including any incident relating to the overstatement of an BLACK PEOPLE's degree of managerial and operational involvement in an enterprise or the level of control she/he exercises over the enterprise; and
- (j) The recommendation of the evaluator, briefly stating the reasons for the recommendation and the reason why any of the other eligible offers should not be accepted.

Circulation of the bid report prior to submission

- 12.11 The departmental head concerned shall, as soon as she/he completed and signed the bid report, or received the draft bid report from the external service-provider contemplated in paragraph 12.2(b) and signed it, transmit the bid report to the Chief Financial Officer.
- 12.12 The Chief Financial Officer shall as soon as is reasonably possible after she/he received a bid report, study the report and comment on it with specific reference to –
- (a) its financial implications;
 - (b) the correctness of the calculation of any preferences claimed;
 - (c) whether sufficient funds have been provided for in the budget to cover the expense; and
 - (d) any brokerage or discount allowed to the Municipality.
- 12.13 The Chief Financial Officer shall, after she/he has considered the bid report, submit the report, together with her/his comment and recommendation, to the bid evaluation committee, provided that if the amount of the offer exceeds the amount provided for in the appropriate vote of the relevant budget and the departmental head concerned recommends that the over expenditure be incurred, the bid report containing the comment of the Chief Financial Officer shall first be submitted to the Executive Mayor.

Powers of the Executive Mayor in relation to bid reports

- 12.14 The Executive Mayor may consider only the recommendation of the departmental head and the Chief Financial Officer relating to the approval of any over expenditure, provided that the departmental head concerned has indicated from which other budget vote or vote savings may be utilises to defray such excess.

Duties and powers of the evaluator

- 12.15 The evaluator shall, during the preparation of the bid report –
- (a) make every reasonable effort to establish and verify the legitimacy and accuracy of any bidder's claim for preferences, if that bidder's particulars are not available in the Register;
 - (b) make every reasonable effort to determine any bidder's capacity to supply the goods, render the services or execute the work required;
 - (c) perform the evaluation in terms of this code and such best practices as may be known and acceptable; and
 - (d) Supply the bid evaluation committee with the information required to make a decision regarding the offers.
- 12.16 The evaluator may not –
- (a) disclose to any person, whether orally or in writing, other than her/his departmental head (if she/he is not the departmental head) and the Municipal Manager her/his recommendations regarding any offer prior to or after the bid evaluation committee

has made its decision, unless ordered to do so in terms of written instruction of the Municipal Manager or a competent court or in defence of any of her/his rights; and

- (b) Evaluate any offer in which she/he or a close family member, partner or business associate may have a personal or financial interest, unless she/he declares such an interest to her/his departmental head and the departmental head decides that her/his interest is remote and trivial.

CHAPTER 13

CONSIDERATION OF OFFERS

Awarding of contracts

13.1 The authorised person or body –

- (a) is obliged to accept the offer that scored the most points;
- (b) may, where an offer relates to more than one item, accept such offer in respect of any specific item or items; and
- (c) may accept any offer for the supply of specific goods, the execution of specific work or the rendering of a specific service to the Municipality notwithstanding the fact that such offer does not conform to the conditions or specifications set out in the bid documents,

Provided that if –

- (i) an authorised body or person other than the Municipal Manager awards a contract to a supplier other than one recommended by the bid evaluation committee, that person or body must immediately in writing inform the Municipal Manager of the reasons for the deviation; and
- (ii) the Municipal Manager awards a contract to any supplier other than the one recommended by the bid evaluation or the bid adjudication committee, as the case may be, she/he must immediately in writing notify the Auditor-General, the provincial treasury and the National Treasury of the reasons for the deviation.

13.2 The Municipal Manager may at any time after receiving a report in terms of paragraph 13.1(i) refer the matter back to the relevant person or body for reconsideration.

Reasons for not accepting an offer

13.3 Any decision by an authorised body or person regarding the awarding of a contract shall, subject to the provisions of paragraph 13.2, be final.

13.4 The authorised body or person is obliged to give reasons for the acceptance or passing over of an offer if requested to do so in terms of relevant legislation.

13.5 A person whose rights are affected by a decision taken by an authorised body or person in relation to awarding a contract may appeal against that decision by giving written notice and reasons for the appeal to the Municipal Manager within 21 days of the date of the notification of the decision. The Municipal Manager must promptly submit the appeal to the appropriate appeal authority who must decide the appeal in the manner and within the time set out in

the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000). 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. When the appeal is against a decision taken by -

- (a) a staff member other than the Municipal Manager or the bid adjudication committee, the Municipal Manager is the appeal authority; and
- (b) the Municipal Manager, the Executive Mayor is the appeal authority, except in the case of decisions where the Council is the appeal authority;

Incorrect preference information

- 13.6 Where a contract has been awarded on the strength of information furnished by the contractor which, after the conclusion of the relevant contract, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may have -
- (d) recover from the contractor all costs, losses or damages incurred or sustained by the Municipality as a result of the award of the contract; and/or
 - (e) cancel the contract and claim damages which the Municipality may suffer as a result of having to make less favourable arrangements; and/or
 - (f) impose on the contractor a penalty not exceeding five per cent of the value of the contract.
- 13.7 If, at any time during the evaluation or adjudication of an offer, doubt exists in respect of any statement made in support of a preference claim documentary proof may be called for in substantiation of the statements.

Equal offers

- 13.8 If, after prices have been brought to comparative level, two or more offers are equal, the offer scoring the highest points for BLACK PEOPLE ownership of equity, subcontracting with an BLACK PEOPLE and achieving specified goals relating to location of the bidder, shall be awarded the contract, provided that all things still being equal, the offer shall be awarded by the drawing of lots.

Notification of acceptance

- 13.9 Successful bidders shall be notified by ordinary prepaid mail of the acceptance of their offers.
- 13.10 If a bidder is informed by telefacsimile that her/his offer has been accepted, the original notification of acceptance need not be posted to her/him.

Publication of acceptance of offers and disclosure of offers

- 13.11 Where no offer has been accepted, particulars of the offers received shall not be made public.
- 13.12 Offers shall not be made available for perusal of, or inspection by, the public.
- 13.13 The following particulars regarding contracts awarded shall be published on the Municipality's website:

- (a) the names and addresses of all the bidders;
- (b) the prices and bases of delivery offered by all bidders;
- (c) the brand name of the product and the name of the manufacturer, if available, in respect of the accepted offer;
- (d) where applicable, the preference percentages claimed by and allowed in respect of the successful bidder; and
- (e) the name of the successful bidder, provided that if more than one offer has been accepted, the respects in which each offer has been accepted.

13.14 In addition to the information provided for in paragraph 13.13, any further information may be furnished as may be deemed necessary by the Municipal Manager.

13.15 Publication in terms of paragraph 13.13 shall be effected on the day that the successful bidder is informed that her/his offer has been accepted. Such notice shall be maintained on the website for a period of not less than 30 days after publication.

Rejection of offers

13.16 The relevant delegated body shall reject any offer from a bidder -

- (a) which is deemed to be an invalid bid in terms of paragraphs 11.12 or 11.19;
- (b) who fails to submit written proof obtained from the South African Revenue Service that she/he has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations;
- (c) whose tax matters have not been declared by the South African Revenue Service to be in order;
- (d) whose municipal rates and taxes or municipal service charges owed to the Municipality or to any other municipality, are in arrears for more than three months;
- (e) who during the last five years has failed to perform satisfactorily on a previous contract with the Municipality after written notice was given to her/him that her/his performance was unsatisfactory;
- (f) if her/his name, or the names of any of its directors, members or trustees, is listed as a person prohibited from doing business with the public sector;
- (g) if it is suspected that the bidder has committed a corrupt or fraudulent act in competing for the contract;
- (h) if the bidder, or any of its directors, members, trustees, employees, agents or representatives has abused the Municipality's supply chain management system;
- (i) if the bidder, or any of its directors, members, trustees, employees, agents or representatives, has committed any improper conduct in relation to the Municipality's supply chain management system;
- (j) if the bidder, or any of its directors, members, trustees, employees, agents or representatives, has been convicted of fraud or corruption during the past five years;

- (k) if the bidder, or any of its directors, members, trustees, employees, agents or representatives, has wilfully neglected, reneged on or failed to comply with any government, municipal or any other public sector contract during the past five years; and
- (l) who is in the service of the state;
- (m) 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; and
- (n) who is an advisor or consultant contracted with the municipality.

Reporting regarding verbal and written quotations

- 13.17 Any person authorised in terms of this policy and/or the Municipality's delegated powers to procure contracts in terms of verbal or written quotations shall, not later than 10 working days after the end of each month, in writing notify the Municipal Manager, and submit a copy of such notice to the Chief Financial Officer, of all verbal and written price quotations accepted by her/him during the past month.

Objections and complaints

- 13.18 Any person aggrieved by decisions or actions taken by the Municipality or any body or person on behalf of the Municipality in the implementation of this policy and Code may, within 14 days of the decision or action lodge a written objection or complaint against the decision or action.
- 13.19 An objection or complaint must be submitted to the Municipal Manager.

Resolution of disputes, objections, complaints and queries

- 13.20 The Municipal Manager must appoint an independent and impartial person not directly involved in the supply chain management processes of the Municipality –
- (a) To assist in the resolution of disputes between the Municipality and other persons regarding –
 - (i) Any decisions or actions taken by the Municipality in the implementation of its supply chain management system; or
 - (ii) Any matter arising from a contract between the Municipality and a supplier; or
 - (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- 13.21 The person appointed in terms of paragraph 13.20 must –
- (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.

- 13.22 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 received from the municipality within 60 days.
- 13.23 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.

CHAPTER 14

ADMINISTRATION AND MANAGEMENT OF CONTRACTS

Settlement of disputes

- 14.1 Should any dispute arise between a contractor and the Municipality as to, or there appears to be any discrepancy, ambiguity or want of agreement in description, dimensions or qualities in a contract or order or as to the interpretation of the terms and conditions of an offer, contract or order, the parties shall endeavour to solve the matter by means of –
- (a) mutual consultation and agreement; failing which
 - (b) any party may refer the matter to mediation by an independent mediator; failing which
 - (c) Any party may refer the matter to a Court of law in the Republic.
- 14.2 Execution of a contract or order shall not be delayed pending an agreement or decision in terms of paragraph 14.1, unless the contractor is instructed in writing by the Municipal Manager not to proceed with the execution of the contract or part of the contract in relation to which the said discrepancies, ambiguities or want of agreement or conflicting interpretation exist.

Orders

- 14.3 Goods shall be delivered, work executed and services rendered only upon receipt of a properly signed and authorised written official order or letter of appointment.

Packing, packing material and containers

- 14.4 Unless otherwise specifically provided for in a contract, the contractor is responsible for packing goods at her/his own cost and in such a manner as to ensure that there is no loss or damage during loading, whilst in transit or being off-loaded.
- 14.5 Unless otherwise agreed no charge shall be allowed for packing material or containers and such material or containers shall not be returned to the contractor.

Invoices

- 14.6 Invoices shall be rendered as indicated on the official order or in the contract, as the case may be.

Payment for supplies and services

- 14.7 Subject to any instructions issued with a contract or order, a contractor shall be paid by the Chief Financial Officer, in accordance with the following provisions, for goods delivered, work executed and services rendered:
- (a) On a basis of delivery into store or to another nominated destination or collected in the Republic: Only after receipt of a detailed invoice and after delivery has been effected.
 - (b) On a basis of delivered and erected, installed, commissioned or tested in the Republic: Only after receipt of a detailed invoice supported by a certificate of satisfactory execution.
 - (c) In the case of services rendered: Unless otherwise specified, only after receipt of a detailed invoice supported by a certificate of satisfactory execution.
- 14.8 Payment will normally be effected within 30 days of receipt of all the required documentation which should be correct in every respect. Should a contractor indicate a special discount on her/his account provided payment is made within a certain time, every effort shall be made to take advantage of such discount.
- 14.9 Payment shall be made to the contractor only.
- 14.10 Any enquiry concerning the non-payment of an invoice shall be directed to the Chief Financial Officer.

Inspections, tests and analyses

- 14.11 If it is a contractual condition that goods to be produced, work to be executed or services to be rendered should at any stage during production or execution or on completion be subject to inspection, any cost to be recovered in relation to such inspection shall in all cases be for the account of the contractor. The premises of the contractor shall be open, at all reasonable hours, for inspection by a representative of the Municipality.
- 14.12 Inspections, tests and analyses may be carried out prior to dispatch in regard to such goods as may be deemed necessary by the Municipality and the contractor shall provide, if required, all the required facilities for such inspections, tests and analyses of the goods free of charge and shall, if required, provide all the materials, samples, labour and available apparatus which may be required for the purpose of such inspections, tests and analyses free of charge unless otherwise specified.
- 14.13 If any inspection, test and analysis show the goods to be in accordance with the contract requirements, the cost of the inspections, tests and analyses shall be defrayed by the Municipality; otherwise the cost shall be defrayed by the contractor and the Municipality shall have the right, without prejudice to any other legal remedy it may have, to deduct such costs from payments due to the contractor under the contract or under any other contract.
- 14.14 Goods, work and services which do not comply with the contract requirements may be rejected.
- 14.15 Any goods may on or after delivery be inspected, tested or analysed and may be rejected if found not to comply with the requirements of the contract and such rejected goods shall be held at the cost and risk of the contractor who shall, when called upon, remove them immediately at her/his own cost and forthwith substitute them with goods which comply with the requirements of the contract. Failing such removal the rejected goods shall be returned at the contractor's cost and risk. Should the contractor fail to provide the substitute goods forthwith, the Municipality may, without giving the contractor further opportunity to substitute

the rejected goods, purchase such goods as may be necessary at the expense of the contractor.

- 14.16 Transport costs and any other expenses with regard to rejected goods shall be refunded by the contractor.
- 14.17 The provisions of preceding paragraphs shall not prejudice the right of the Municipality to cancel the contract on account of a breach of the conditions thereof.

Municipal property in possession of a contractor

- 14.18 Municipal property supplied to a contractor for the execution of a contract remains the property of the Municipality and shall at any time be available for inspection by the Municipality or its representatives. Any such property in the possession of the contractor on completion of the contract shall, at the contractor's expense, be returned to the Municipality forthwith.
- 14.19 The contractor shall be responsible at all times for any loss of or damage to municipal property in her/his possession and if required she/he shall furnish such security for the payment of any such loss or damage as the Municipality may require. The contractor shall use all reasonable endeavours to ensure that equipment provided by the Municipality for the use of her/his personnel is kept and treated in a proper and professional manner. The contractor must maintain an inventory of the equipment throughout the execution of the contract. At the conclusion of the assignment, the contractor shall apply for instructions from the Municipal Manager for the disposal of the equipment and shall arrange disposal in accordance with such instructions. At such time the equipment shall be in good condition after making due allowance for fair wear and tear. Equipment lost or damaged must be reported at the time of such loss or damage and the reasons immediately explained in writing to the Municipal Manager. Where it is concluded that such loss has occurred as a result of the contractor's breach of contract or negligence, the contractor shall be responsible for the costs of reinstatement. The amount of such costs shall be agreed between the contractor and the Municipality and paid to the Municipality within 30 days after the agreement.

Statements of goods work and services

- 14.20 The contractor shall, when requested to do so, furnish particulars of goods delivered, work executed or services rendered. If she/he fails to do so, the Municipality may, without prejudice to any other rights which it may have, institute inquiries at the expense of the contractor to obtain the required particulars.

CHAPTER 15 STANDARD TERMS AND CONDITIONS OF CONTRACT

Assignment, cession and transfer of contract

- 15.1 The contract concluded with a bidder is personal to the contractor and the contractor shall not sub-let, assign, make over, transfer or cede the contract or any part thereof, or any share or interest there-in, to any other person without the written consent of the Municipal Manager and on such terms and conditions as she/he may approve.

Risk management

- 15.2 The risk in all goods, services and work procured under a contract shall remain with the contractor until such goods, work or services have been delivered to the Municipality and the

authorised representative of the Municipality has certified in writing that such goods, work or service has been delivered, received or completed, as the case may be.

Cancellation of invitations to submit offers

- 15.3 The Municipality may, prior to the award of a contract, cancel it if –
- (a) Due to changed circumstances, there is no longer need for the goods, work or services for which offers have been invited; or
 - (b) Funds are no longer available to cover the total envisaged expenditure; or
 - (c) No acceptable offers were received.

Failure to submit an original tax clearance certificate

- 15.4 No contract shall be awarded to a bidder who has failed to submit an original Tax Clearance Certificate from the South African Revenue Service (SARS) certifying the taxes of that bidder to be in order or that suitable arrangements have been made with SARS.

Insurance in respect of works to be executed

- 15.5 Every contractor appointed for the execution of work for the Municipality is responsible for obtaining and maintaining adequate insurance and must submit proof of such insurance to the Project Management Unit for approval before the work may commence.
- 15.6 Without any way limiting her/his obligations in terms of the contract, the contractor shall bear the full risk of damage to and/or destruction of any works by whatever cause during the construction of the works and by submission of her/his offer indemnifies and holds harmless the Municipality against any such damage. The contractor shall take such precautions and security measures and other steps for the protection and security of the works, as she/he may deem necessary.
- 15.7 The contractor shall immediately remove and/or dispose of any debris arising from damage to or destruction of the works and rebuild, restore, replace and/or repair the works.
- 15.8 The Municipality shall carry the risk of damage to or destruction of the works and material paid for by the Municipality that is the result, whether direct or indirect, of the excepted risks.
- 15.9 Where the Municipality bears the risk in terms of the contract, the contractor shall, if requested to do so, reinstate any damage or destroyed portions of the works and the costs of such reinstatement shall be measured and valued.

Injury to persons or loss or damage to property

- 15.10 The contractor shall be liable for and indemnify the Municipality against any liability, loss, claim or proceeding whether arising in common law or by statute, consequent upon personal injuries to or the death of any person whomsoever arising out of or in the course of or caused by the execution of the work unless such personal injuries or death is due to any act or neglect of any person for whose actions the Municipality is legally liable.
- 15.11 The contractor shall be liable for and indemnify the Municipality against any liability, loss, claim or proceeding consequent upon loss or damage to any moveable or immovable personal property or property contiguous to the site where the work is executed whether belonging to or under the control of the Municipality or any other body or person, arising out

of or in the course of or by reason of the execution of the work unless such loss or damage is due to any act or neglect of any person for whose actions the Municipality is legally liable.

- 15.12 The contractor shall upon receiving an order in writing from the Municipal Manager cause any loss or damage in terms of paragraph 15.11 to be made good in a perfect and workmanlike manner at her/his own cost and in default thereof the Municipality shall be entitled to cause such loss or damage to be made good and to recover the cost thereof from the contractor or to deduct the same from amounts due to the contractor.
- 15.13 The contractor shall be responsible for the protection and safety of such portions of the premises placed under her/his control by the Municipality for the purpose of executing the work until the issue of the certificate of completion.
- 15.14 Where the execution of the work involves the risk or removal of or interference with support to adjoining properties, including land or structures or any structure to be altered or added to, the contractor shall and will remain adequately insured or insured against the death of or injury to persons or damage to such property consequent on such removal or interference with support until such portion of the work has been completed.

Public liability cover

- 15.15 Any contractor for the execution work must have current public liability cover, adequate for the service being rendered and must provide a copy of the insurance certificate for approval to the Municipal Manager, prior to being allowed on site. The value of the public liability cover required will be specified in the bid documents.

“As built” drawings

- 15.16 The contractor shall, at the completion of any contract involving the execution of work, supply the Municipality, free of charge, with a full set of “as built” drawings of the work concerned.

Professional indemnity

- 15.17 Where the Municipality considers professional indemnity insurance cover to be warranted because of the size or nature of a particular contract, the contractor must provide proof that it is in possession of adequate professional indemnity insurance that covers at least 1, 2 times the estimated value of the work to be carried out.

Ownership and copyright

- 15.18 Ownership of, and copyright in, any document, drawing, plan or any other matter in respect of which a patent or copyright may be registered shall vest in the Municipality free of charge. The contractor shall be obliged to provide to the Municipal Manager originals of such documents, drawings, plans and other material before final payment shall be made.

Quality

- 15.19 Goods supplied and services rendered shall be in accordance with, and the contractor guarantees that they are equal in all respects to, the samples, patterns, drawings and specifications stipulated in the contract or order and unless otherwise specified, goods shall be new and unused. Where specific grades and special brands are specified, such grades and brands only shall be supplied unless the Board agrees otherwise.

- 15.20 Where a contract calls for goods or a service according to a standard specification of the South African Bureau of Standards, the bidder is required to take cognisance of the provisions of section 15 of the Standards Act 1982 (Act No. 30 of 1982).
- 15.21 Any person who designs, manufactures, imports, sells or supplies any article or substance for use by the Municipality or in relation to the business of the Municipality or on, at or in any premises of the Municipality, shall ensure that such article or substance is safe and without risks to health when properly used, that it complies with all relevant prescribed requirements and take such necessary steps to ensure that information is available with regard to the use of the substance or article.

Guarantees and warranties

- 15.22 Unless the contract stipulates otherwise, the contractor shall guarantee for a period of twelve months that no faulty material or workmanship was used in the manufacture of goods or in the execution of work and that the finishing thereof is not defective. Should the guarantee not be complied with, the Municipality may, without prejudice to any other rights it may have, demand that the supplies be replaced and the services repaired without cost to the Municipality.
- 15.23 The period of guarantee shall commence on the date of receipt of the goods by, or handing over of the work or service to, the department concerned or, where so specified, on the date the goods or service are brought into commission.
- 15.24 The liability of the contractor under the guarantee shall cover the free delivery to the Municipality of goods required in replacement of defective goods, and where parts are to be replaced the liability shall include their free installation. The goods and the parts so replaced or the services so rendered shall be guaranteed in a similar manner for a similar period.
- 15.25 The principal features of any goods to be supplied, service to be rendered or work to be executed shall be prescribed in the bid documentation, but the bid specification does not purport to indicate and describe the construction, manufacture or arrangement of the goods, service or work necessary to meet the requirements of the Municipality. Omission in the bid documentation of reference to any part or parts shall not relieve the contractor of her/his responsibility to carry out the work, render the service or supply the goods required as required in terms of the contract.
- 15.26 If at any time up to a date 12 months after delivery the Municipality shall be dissatisfied with the goods, service or work or any part or parts thereof on account of materials being faulty or of inferior quality or workmanship or of a bad design or on account of the goods, work or service not having been delivered strictly in terms of the contract, the Municipality may -
- (a) call on the contractor to remedy the said defects free of cost to the Municipality within such period as the Municipality may determine and in the event that the contractor fails to do so within the period determined by the Municipality, the Municipality may have such remedial work executed at the contractor's expense; or
 - (b) to reject the goods or work immediately and to require the contractor to supply the Municipality with, within a period determined by it, with other goods or work of best quality in conformity with the contract in the place of the goods or work so rejected, without prejudice to the Municipality to claim penalties for late delivery as provided in this code and any loss, damage, cost and charges as the Municipality may have suffered in the circumstances, as may be determined by the Municipality; or

- (c) to reject the work or goods forthwith and, without prejudice to the Municipality, to claim penalties for late delivery as provided in this code and any loss, damage, cost and charges as the Municipality may have suffered in the circumstances, as may be determined by the Municipality.

15.27 Where any goods have been rejected in terms of paragraph 15.26, they shall be held at the risk of the contractor who shall be required to take back and remove such goods at her/his own cost: Provided that should the contractor fail to do so, the Municipality may dispose of such goods in any manner that it seems fit and the contractor shall have no claim against the Municipality, provided further that should the Municipality sell such goods, the price it realise from such sale shall, less any cost incurred in relation to the sale, be set off against any claims it may have against the contractor.

15.28 Where the contract is for the provision of services to the Municipality and the contractor does not perform to the satisfaction of the Municipality and/or provides a service of poor and unacceptable quality, the Municipality may, in its sole discretion, and after allowing the contractor reasonable time to improve her/his performance and/or the quality of her/his work, cancel the contract for poor performance.

Failure to comply with conditions and delayed execution

15.29 If a bidder –

- (a) amends or withdraws her/his offer after the closing time but before she/he is notified that her/his offer has been accepted; or
- (b) when notified that her/his offer has been accepted, she/he fails, within the period stipulated in the conditions of offer or such extended period as the Municipality may allow, to sign a contract;
- (c) or to provide security when requested to do so,

She/he shall, unless the Municipality decides otherwise, and without prejudice to any other right which the Municipality may have under paragraphs 12.30 to 12.32, including the right to claim damages if a less favourable offer is accepted or less favourable arrangements are to be made, forfeit any deposit which may have been made with the offer.

15.30 Should the contractor fail to comply with any of the conditions of the contract, the Municipality shall be entitled, without prejudice to any of its other rights, to cancel the contract.

15.31 Upon any delay beyond the contract period in the case of a contract for the supply of goods, the Municipality shall be entitled forthwith to –

- (a) purchase goods of a similar quality and up to the same quantity in substitution of the goods not supplied in conformity with the contract and to return any goods delivered later at the contractor's expense and risk without cancelling the contract; or
- (b) cancel the contract and buy such goods as may be required to complete the contract; and
- (c) Without prejudice to its other rights, be entitled to claim damages from the contractor.

15.32 Upon any delay beyond the contract period in the case of a contract for the execution of work or the rendering of a service, the Municipality shall, without prejudice to any other right, be entitled forthwith to –

- (a) arrange for the execution of the work or the rendering of the service not executed or rendered or not executed or rendered in conformity with the contract without cancelling the contract; or
- (b) To cancel the contract and without prejudice to its other rights, be entitled to claim damages from the contractor.

15.33 In the event of the Municipality availing itself of the remedies provided for in paragraphs 15.30 to 15.32 –

- (a) the contractor shall bear any adverse difference in price of the said goods, work or services and these amounts plus any other damages which may be suffered by the Municipality shall be paid by the contractor to the Municipality immediately on demand or the Municipality may deduct such amounts from moneys (if any) otherwise payable to the contractor in respect of goods, work or services rendered or to be rendered under the contract or under any other contract or any other amount due to her/him; or
- (b) if the contractor fails to supply the goods, execute the work or render the service within the period stipulated in the contract, the Municipality shall have the right, in its sole discretion, either to deduct as a penalty from the value of the contract sum an amount of one-fourteenth per cent thereof per day for the period of delay or to claim any damages or loss suffered in lieu of such penalty: Provided that where beneficial use of the completed portion is enjoyed, the penalty shall be applied to the value of the outstanding portion only.

15.34 No penalty or damages shall be claimed in respect of any period of delay which the contractor can prove to the satisfaction of the Municipality to be directly due to a state of war, sanctions, strikes, lockouts, damage to machinery as a result of accidents, fire, flood or tempest or force majeure, which could not be foreseen or overcome by the contractor, or to any act or omission on the part of persons acting in any capacity on behalf of the Municipality.

15.35 If the delivery of the supplies or the rendering of the service is likely to be delayed or is in fact being delayed on account of any of the reasons mentioned in paragraph 12.34, full particulars of the circumstances shall be reported forthwith in writing to the Municipality and at the same time the contractor shall indicate the extension of the delivery period which is desired.

15.36 The Municipality may, in its sole discretion, upon receipt of a written request from the contractor setting out the relevant circumstances for any delay or failure to meet the date of delivery in the contract, extend the time of delivery to a date determined by it, provided that such extension shall not relieve the contractor from any penalty payable in terms of the contract or liability for any damages, costs, loss or charges incurred by the Municipality due to such delay.

Remedies in the case of death, sequestration, liquidation or judicial management

15.37 In the event of –

- (a) the death of a contractor; or
- (b) the provisional or final sequestration of her/his estate; or
- (c) her/his cession or transfer of a contract without the approval of the Municipality; or
- (d) the surrender of her/his estate; or

- (e) her/his reaching a compromise with her/his creditors; or
- (f) the provisional or final liquidation of a contractor's company; or
- (g) the placing of its affairs under judicial management,

The Municipality may, without prejudice to any other rights it may have, exercise any of the following options:

- (i) Cancel the contract and accept any of the offers which were submitted originally with that of the contractor or any offer subsequently received to complete the contract. In such a case the estate of the contractor shall not be relieved from liability for any claim which has arisen or may arise against the contractor in respect of supplies not delivered or work not carried out by her/him under the contract and the Municipality shall have the right to hold and retain all or any of the securities and retention moneys held by it at the date of the aforesaid occurrence until such claim has been satisfied; or
- (ii) allow the executor, trustee, liquidator or judicial manager, as the case may be, for and on behalf of and at the cost and expense of the estate of the contractor to carry on with and complete the contract; or
- (iii) For and on behalf of and at the cost and expense of the estate of the contractor, it carry on with and complete the contract and in that event the Municipality may take over and utilise, without payment, the contractor's tools, plant and materials in whole or in part until the completion of the contract.

15.38 Should the Municipality elect to act in terms of paragraph 15.37(iii) it shall give notice of its requirements to the executor, trustee, liquidator or judicial manager of the contractor's estate and should the said executor, trustee, liquidator or judicial manager fail within 14 days of the dispatch of such notice to make provision to the satisfaction of the Municipality for the fulfilment of such requirements, or should no executor, trustee, liquidator or judicial manager be appointed within 14 days of the occurrence mentioned in paragraph 15.37, the Municipality may apply any remedy open to it in terms of the contract as if a breach thereof had taken place.

15.39 Should the Municipality act in terms of paragraph 12.37(iii) the contractor must leave the premises immediately and may not occupy such premises on account of retention or any other right.

Contractor's liability

15.40 In the event of the contract being cancelled by the Municipality in the exercise of its rights in terms of legislation or this code, the contractor shall be liable to pay to the Municipality any losses sustained and/or additional costs or expenditure incurred as a result of such cancellation and the Municipality shall have the right to recover such losses, damages or additional costs by means of set-off from moneys due or which may become due in terms of the contract or any other contract, or from a guarantee provided for the due fulfilment of the contract and, until such time as the amount of such losses, damages or additional costs has been determined, to retain such moneys or guarantee or any deposit as security for any loss which the Municipality may suffer or have suffered.

15.41 The contractor may be held responsible for any consequential damages and loss sustained which may be caused by any defect, latent or otherwise, in the goods supplied, work executed

or service rendered or if the goods, work or service as a result of such defect, latent or otherwise, does not conform to any condition or requirement of the contract.

Price lists

- 15.42 Price lists which are part of a contract shall not be amended without the approval of the Municipality.

Firm prices

- 15.43 If a contract is awarded on the basis of firm prices and during the contract period –

- (a) any duty, levy or tax (excluding any anti-dumping and countervailing duties or similar duties), is introduced in terms of any legislation, or
- (b) any such duty, levy or tax is legally changed or abolished,

The said prices shall be adjusted accordingly.

Non-firm prices

- 15.44 In respect of any factors which demonstrably have an influence on the production cost of the goods, the cost of executing the work or the rendering cost of the service for which non-firm prices have been offered, price adjustments which become effective during the contract period may be allowed with effect from the date of the change in cost and founded on the actual direct change in the cost as used in the calculation of the tender price, in addition to those provided for in paragraph 15.43.
- 15.45 Where the contractor her-/himself is the manufacturer of the goods or the provider of the service, or where she/he is the accredited agent of the manufacturer or the provider, evidence in support of the price adjustments claimed in terms of paragraph 15.44 shall be produced on demand.
- 15.46 As an alternative to paragraph 15.45 the bidder may specify a formula on the bid form provided for this purpose for the purpose of adjusting prices in accordance with published indices. However, the adjustment formula shall provide for a minimum fixed element of at least 15% of the price which shall not be subject to adjustment.
- 15.47 Where the contractor is not the manufacturer of the supplies or the provider of the service, or where she/he is not the accredited agent of the manufacturer or the provider, any price adjustment shall be based on the increase or reduction to the contractor in the net cost of the goods on which the bid price was based. When any such increase or reduction in costs occurs, the contractor shall submit copies of the quotation or price list with reference to which she/he calculated her/his bid prices, as well as the revised quotation or price list on which her/his claim is based.

Rates of exchange

- 15.48 Where the whole or a portion of the bid price may be affected by the revaluation of currencies or any fluctuation in the rate of exchange, the bidder shall, in accordance with the bid requirements, state in her/his bid the amount to be paid in foreign currencies or to be remitted abroad, as well as the rate of exchange applied in the conversion of that amount into South African currency in calculating the bid price, and if the contract is completed within the contract period, any increase or reduction in the relevant amount as a result of any fluctuation

in the rate of exchange or revaluation of currencies shall, irrespective of whether the price is firm or not, be for the account of the Municipality, subject to the following conditions:

- (a) Where payment to the contractor is to be made in the Republic and she/he is required to remit part or the entire amount abroad, the contract amount in South African currency will be paid to the contractor less, or plus, an amount, as specified on the contractor's invoice and supported by the necessary proof, representing any change in the exchange rate –
 - (i) which may have occurred between the date of conversion to South African currency as reflected in the bid documents and the date of the invoice, provided that the invoice date is within 10 days of the date of delivery or shipment; and
 - (ii) any further fluctuation in the rate of exchange which may occur between the invoice date and the actual date of remittance abroad, shall be paid by the Municipality to the contractor or by the contractor to the Municipality only if the further fluctuation in the exchange rate is more than 1% and if the remittance is made within 10 days of the date of the warrant voucher issued in payment.
- (b) Where it is required of the contractor to remit part or the entire amount abroad before she/he can invoice the Municipality and this is indicated in her/his offer and subsequently separately substantiated, the date of such remittance will be regarded as the date in respect of which the adjustments in terms of paragraph (a) are to be made.
- (c) All rate of exchange claims shall be accompanied by the following documentary evidence (failure to comply with this condition may delay or invalidate claims):
 - (i) In the case of paragraph (a), a copy of the relevant invoice from the foreign supplier.
 - (ii) In the case of paragraph (b), a copy of the relevant invoice from the foreign supplier for reconciliation with the bank remittance voucher and a copy of the bank remittance voucher.
 - (iii) If amounts that are not proper to a specific order are included in the remittance abroad, documentary proof or a certificate of audit that substantiates the inclusion of the amount.
- (d) No adjustment shall be done in respect of any amount or percentage of the bid price which was remitted abroad and which exceeds the amount which, as contemplated in this paragraph is indicated in the offer for that purpose.
- (e) When the amount remitted abroad constitutes a larger or smaller amount or percentage of the bid price than that indicated for that purpose in the bid and the contractor, as a result thereof obtains a financial benefit, such benefit shall devolve upon the Municipality and shall, where applicable, be brought into consideration in computing any claim for compensation.

15.49 If it is not a condition of bid that the amount which the contractor will have to pay abroad and the relevant rate of exchange at which the amount was converted to South African currency should be indicated in the offer, price adjustments in respect of fluctuations in the rate of exchange shall be effected only when a devaluation or a revaluation of currencies occurs and satisfactory documentary proof is submitted: Provided that the Municipality may in such cases cancel the contract and make other arrangements for obtaining the supplies.

- 15.50 In the case of period contracts, the bid price referred to in paragraphs 12.48 and 12.49 shall refer to the relevant contracted prices for each consignment separately.

Price adjustments: Documentary proof and period for claims

- 15.51 An adjustment in price shall cover only the period between the closing date of offers and the final delivery date in terms of the contract.
- 15.52 Documentary proof or a certificate of audit, issued and signed by a registered chartered accountant external to the business of the contractor, in substantiation of the price adjustments claimed and the effect thereof on the contract price shall be submitted by the contractor together with her/his claim, to the satisfaction of the Municipality.
- 15.53 Claims against the Municipality shall, unless otherwise authorised by the Municipality, be proved to the satisfaction of the Municipality as soon as possible but in any case not later than the following:
- (a) In the case of period contracts: 90 days after the change in cost or the date of advice of acceptance of the offer, whichever date is the later, in which case the prices may be backdated to the date of change in cost. If a claim is received after 90 days, the prices will be backdated only to the date on which the claim was proved to the satisfaction of the Municipality.
 - (b) In the case of non-period contracts: 90 days from the date on which the firm contractual delivery period expired if the contractual delivery period was adhered to. If he does not claim within 90 days, the contractor shall forfeit her/his claim to a price adjustment unless otherwise decided by the Municipality.
- 15.54 In cases where a price adjustment is in favour of the Municipality such favourable difference shall on demand be paid forthwith by the contractor to the Municipality or the Municipality may deduct such amounts from moneys (if any) which may otherwise be due to the contractor in regard to goods, work or services which she/he delivered, executed or rendered or is to deliver, execute or render in terms of the contract or any other contract or any other amount which may be due to her/him.
- 15.55 If delivery takes place within the contracted delivery period, the contract price ruling at date of delivery shall apply. Deliveries shall not be withheld for the purpose of benefiting from price increases.

Payment of duties, levies and taxes

- 15.56 A contractor for any project who is not based in the Republic, or who is based in the Republic but makes purchases for the contract outside the Republic, is responsible for paying all relevant duties, levies and taxes which may be due on the importation of the purchases into the Republic and she/he indemnifies the Municipality against any liability for the payment of such duties, levies and taxes. If so required by the Chief Financial Officer, the contractor concerned shall –
- (a) indicate the gross value of the relevant purchases; and
 - (b) Furnish proof that all such duties, levies and taxes have been paid.

Stamp duty, bank charges, etc.

- 15.57 The contractor is responsible for stamp duty, bank charges, bank interest and other like charges in respect of a contract.

Royalties and patent rights

- 15.58 The contractor is responsible for all expenses and other liabilities in regard to royalties, patent rights, trade marks or other protected rights in respect of goods supplied by her/him to the Municipality and she/he indemnifies the Municipality against any claims which may arise in connection with such rights.
- 15.59 The contractor shall at any time furnish, on request, adequate security to the satisfaction of the Chief Financial Officer for the payment of all costs including attorney and client costs in cases where proceedings are instituted against the Municipality and/or its officers or employees in respect of alleged breach of patent rights, trade marks or any other protected rights.

Surety

- 15.60 Unless the Municipality determines otherwise and it is so stated in the bid documents, an offer for the execution of work, shall be subject to the provision by the contractor of acceptable surety obtained from approved financial institutions and insurance companies, for due execution of the work to the Municipality, the amount of which is commensurate with the risk.
- 15.61 The amount of the surety required shall be specified in the tender documents, which amount shall not be less than the amounts indicated in the following table –

Value of contract	% surety
Above R 1,5m	10%
Between R 500,000 and R 1,5m	5%
Between R 200,000 and R 500,000	2,5%
Below R 200,000	No surety required

- 15.62 The surety required shall consist of –

- (a) a guarantee by a banking institution registered in terms of the Banks Act, 1990 (Act No. 94 of 1999), or an insurer doing insurance business, or cash, negotiable government stock, a security bond or in the case of service contracts, two or more acceptable sureties; or
- (b) Such other form of security as the Municipality approves.

- 15.63 A surety supplied in terms of paragraph 12.60 shall remain in force until the contract has been completed to the satisfaction of the Municipality.

Retention

- 15.64 The value and retention periods must be stipulated in the bid documents and the following table will form a guide-line only. The degree of risk must be considered when setting retentions.

Category	Nature of contract	% retention required	Period of retention
Large	Construction or building	10%	12 Months
Large, medium or small	Supply, install and commission	10%	Retain until successful commissioning
Medium	Construction or building	5%	6 months
Small	Construction or building	2,5%	6 months
Micro	Construction or building	1%	3 months

Right to procure outside of a contract

- 15.65 The Municipality reserves the right to procure outside of a contract such goods and services as may be required by the circumstances if –
- (a) an emergency situation or unforeseen circumstances arises and the contractor is unable to affect delivery when required to do so by the Municipality, irrespective of the delivery date agreed to in the contract; or
 - (b) if the contractor's services are not readily available.
- 15.66 The Municipality may, in its sole discretion, reduce the quantity of the goods to be purchased under the contract or the scope of work in terms of the contract in the case of a service, without any liability on its part, with the quantity of the goods or services purchased or acquired in terms of paragraph 15.65.
- 15.67 No provision in a contract shall be deemed to prohibit the obtaining of goods or services from a Government department or another Municipality.

Amendment of contracts

- 15.68 No agreement to amend or vary a contract or order or the conditions, stipulations or provisions thereof shall be valid and of any force and effect unless such agreement to amend or vary is entered into in writing and signed by the contracting parties. Any waiver of the requirement that the agreement to amend or vary shall be in writing, shall also be in writing.

CHAPTER 16

ETHICS AND COMBATING FRAUD AND CORRUPTION IN SUPPLY CHAIN MANAGEMENT

Introduction

- 16.1 The Municipality conducts its business in a fair and honest manner and expects its officials, suppliers, prospective suppliers and other role-players in the supply chain management process to uphold the values of fairness and integrity.
- 16.2 Officials and other role players involved in the Municipality's supply chain management process –
- (a) are in a position of trust;
 - (b) have a duty at all times to act in the public interest;
 - (c) are accountable in public for their actions and decisions;
 - (d) may not perform their functions, exercise their powers or discharge their duties in a manner that they or any other person unlawfully or improperly gain any form of compensation, payment, gratuity or other form of compensation or reward or advantage from any person, including a supplier or prospective supplier;
 - (e) must ensure that they perform their functions, exercise their powers and discharge their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines;
 - (f) must ensure that the Municipality's resources are administered responsibly;
 - (g) must be fair and impartial in the performance of their functions, the exercise of their powers and the discharge of their duties;
 - (h) may at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual; and
 - (i) may not abuse the power and authority vested in them.
- 16.3 Any official of the Municipality who is involved in the supply chain management process must at all times comply with the provisions of this policy and code and the provisions and prescripts of any related legislation.

Employees and councillors not to accept quotations and bids for delivery

- 16.4 No employee or councillor of the Municipality may accept any offer for delivery or promise delivery of an offer on behalf of any person except in the normal course of her/his duties.

Remedies in the case of suspected corruption or improper conduct by suppliers

- 16.5 If the Municipal Manager has reasonable suspicion that –
- (a) a supplier, in relation to obtaining a contract, or a contractor, in relation to executing a contract, promised or caused to be promised, offered or given to a councillor or an

employee of the Municipality any bribe, commission, gift, loan, advantage or any other consideration whatsoever; or

- (b) a supplier or a contractor or any enterprise or person with whom a supplier or contractor is actively associated or, where the supplier or contractor is a company or partnership, any manager, director or any person who wholly or partly exercises or may exercise control over such a company or partnership, has acted fraudulently or in bad faith or in any improper manner in obtaining or executing a contract with the Municipality; or
- (c) if the entity mentioned in paragraph 16.2(b) in conducting her/his business, has contravened or neglected to comply with statutory requirements and as a result thereof has been found guilty of a criminal offence; or
- (d) a supplier, in relation to obtaining a contract, or a contractor, in relation to executing a contract, has or has caused to be promised, offered or given to the Municipality or a cause, organisation, person or body supported by the Municipality or a councillor or an official any sponsorship

The Municipal Manager shall -

- (i) In the case of a supplier ignore any of her/his offers without first advising her/him thereof; and
- (ii) in the case of a contractor, cancel the contract without prejudice to any other remedies that the Municipality may have.

16.4 The Municipal Manager shall immediately report –

- (a) any alleged transgression of paragraph 16.3(a) to (c), inclusive, or any suspicion of fraud in terms thereof to the South African Police Services; and
- (b) Any promised, offered or granted sponsorship in terms of paragraph 16.2(d) to the National Treasury.

Duties of councillors and employees in relation to bid committees and person authorised to procure goods and services on behalf of the Municipality

16.5 No councillor or employee of the Municipality may –

- (a) in any manner interfere with the activities of a bid committee;
- (b) in any manner whatsoever attempt to coerce or encourage any member of a bid committee to vote in a particular manner on any matter before the committee concerned;
- (c) obstruct or attempt to obstruct or delay the implementation of any decision of a bid committee or a person authorised to procure goods and services on behalf of the Municipality;
- (d) may not use her/his position for private gain or to improperly benefit another person; or
- (e) In any manner whatsoever attempt to coerce or encourage any person authorised to procure goods and services on behalf of the Municipality to accept any particular offer?

Restriction from submitting offers

- 16.6 The Municipal Manager may resolve that no offer from the supplier concerned shall be considered during such period as she/he may stipulate, if the Municipal Manager is of the opinion that a supplier -
- (a) has amended or withdrawn an offer after the closing time for receipt of offers but before she/he has been notified of its acceptance; or
 - (b) has failed to sign a contract or to provide security within the period stipulated in the conditions of contract or offer, or such extended period as the Municipal Manager may allow, when required to do so; or
 - (c) fails or has failed to comply with any of the conditions of a contract or performs or has performed unsatisfactorily under a contract; or
 - (d) has failed to respond to written notices sent to her/him; or
 - (e) Who has concluded a contract has promised, offered or given a bribe, or has acted in respect thereof in a fraudulent manner or in bad faith or in any other improper manner.
- 16.7 The Municipal Manager may at any time amend or rescind any restriction contemplated in paragraph 16.6.
- 16.8 Any restriction imposed on any supplier by the Municipal Manager may at the discretion of the Municipal Manager also be made applicable to any other enterprise or to any partner, manager, director or other person who wholly or partly exercises or has exercised or may exercise control over the enterprise of the supplier and with which enterprise or person the supplier is or was, in the opinion of the Municipal Manager, actively associated.
- 16.9 For the purpose of paragraphs 16.6 to 16.8 the expression "supplier", in respect of any restriction, shall also include an employee or agent of such supplier.
- 16.10 Where the Municipal Manager imposes a restriction regarding the consideration of offers from a supplier or amends or rescinds such restriction, it may inform any other public purchasing authority as she/he may determine of her/his resolution relative to such restriction or the rescission or amendment thereof and request such authorities to take similar steps.
- 16.11 Whenever it comes to the attention of the Municipal Manager that any other purchasing authority has taken a decision similar to that contemplated in paragraph 16.5 in respect of a supplier, she/he may resolve that a similar restriction be imposed on the supplier concerned in respect of contracts with the Municipality.

Applicability of Codes of Conduct

- 16.12 The Codes of Conduct for Councillors and for Employees incorporated in Schedules 1 and 2 of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) respectively, apply with the necessary changes required by the context, to persons involved in the Municipality's supply chain management activities and system.

Further ethical rules

- 16.13 An employee of the Municipality or other role-player involved in the Municipality's supply chain management system and activities -
- (a) must treat all suppliers and potential suppliers equitably;
 - (b) may not use her/his position for private gain or to improperly benefit another person;
 - (c) must in writing declare to the Municipal Manager details of any reward, gift, favour, hospitality or other benefit whatsoever promised, offered or granted to her/him or any of her/his close family members, partners or associates;
 - (d) must in writing declare to the Municipal Manager details of any private or business interest that she/he or any of her/his close family members, partners or associates may have or obtain in any acquisition or disposal or any contract of the Municipality;
 - (e) must immediately withdraw from participating in any manner whatsoever in any acquisition or disposal process or in the award of a contract in which she/her or her/his close family member, partner or associate has any private or business interest; and
 - (f) must immediately report to her/his departmental head or the Municipal Manager any suspicion that a supplier has transgressed paragraph 16.2 or that a colleague or other role-player involved in the Municipality's supply chain management activities and system has acted in a corrupt, fraudulent, unfair or irregular manner or has breached any rule in terms of this Chapter.
- 16.14 Any declaration to be made in terms of this chapter by the Municipal Manager must be made to the Executive Mayor.
- 16.15 The Municipal Manager or the Executive Mayor, as the case may be, must ensure that any declaration made in terms of this Chapter is recorded in a register kept by the Municipal Manager for this purpose.

Conflict of interest

- 16.16 An official or other role player involved with supply chain management –
- (a) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
 - (b) should not place him/herself under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties; and
 - (c) Must refrain from taking improper advantage of their previous office after leaving their official position.

Accountability and reporting obligation

- 16.17 An official must immediately report to the Municipal Manager any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
- (a) any alleged fraud, corruption, favouritism or unfair conduct;

- (b) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
- (c) Any alleged breach of this Chapter.

16.18 The Municipal Manager must record any report or declarations made to the Municipal Manager in terms of paragraph 16.17 in a register which she/he must keep for this purpose. Any declarations made by the Municipal Manager must be made to the Executive Mayor who must ensure that such declaration is recorded in the register.

16.19 Only the Municipal Manager or an official who has the authority to decide on the awarding of a contract in terms of Chapter 5 have the authority to commit the Municipality to any transaction for the procurement of goods and/or services.

16.20 All transactions regarding the acquisition of any goods or services or the disposal of any assets must be recorded and accounted for in the appropriate manner. Nobody may make a false or misleading entry into any accounting or other record regarding the acquisition of goods or services or the disposal of any asset for any reason whatsoever.

Confidentiality

16.21 Nobody may disclose to an unauthorised party any confidential information of the Municipality or its providers, unless -

- (a) ordered to do so by a Court or another competent tribunal;
- (b) required by legislation; or
- (c) It is necessary to do so in defence of the disclosing party's rights.

Generally prohibited conduct

16.22 No person shall -

- (a) interfere with the supply chain management system of the municipality;
- (b) amend or tamper with any offer after its submission;
- (c) Engage in any combative practice.

Inducements, rewards, gifts and favours

16.24 No supplier or prospective supplier, or a recipient or prospective recipient of assets of the Municipality disposed or to be disposed of, may directly or indirectly, 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.

16.25 The Municipal Manager must promptly report any alleged contravention of paragraph 16.24 to the National Treasury. The National Treasury may list the particulars of the offending person, and any representative or intermediary through which such person is alleged to have acted, in the National Treasury's database of persons prohibited from doing business with the public sector.

16.26 Paragraph 16.24 does not apply to gifts less than R350 in value.

Sponsorships

16.27 The Municipal Manager must promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) a supplier or prospective supplier of goods or services to the Municipality; or
- (b) A recipient or prospective recipient of assets of the Municipality disposed or to be disposed of.

Contract variation

16.28 The Municipality accepts that there are valid reasons that may require variation of a particular contract due to the appointed contractor encountering conditions that were not ascertainable at the time of bidding, which will prevent work being carried out to specification. Such variations may be required due to -

- (a) changes in the scope of the original works, such as altered design, extended construction works or extended service requirements; and
- (b) Difficulties encountered in fulfilling the original specifications of the contract or latent conditions.

16.29 In order to reduce the opportunity to exaggerate additional costs incurred due to a contract variation, the Municipal Manager shall ensure that written procedures are adopted and implemented regarding -

- (a) the authorisation of contract variations, cost increases and contract payments; and
- (b) The effective monitoring and recording of the nature and scope of contract variations once approved.

Site inspections during contract execution

16.30 The Municipality realises that site inspections are important for construction contracts to ensure that the Municipality minimises the risk of contractors performing substandard work, which can represent a considerable cost to the Municipality. In order to reduce these risks -

- (a) each person carrying out site inspections on behalf of the Municipality shall record such details of each site inspection she/he carries out in a site inspection diary as the Municipal Manager may prescribe;
- (b) the relevant departmental head shall ensure that the bid and contract documentation of each contract clearly identify the stages during the contract execution at which

compulsory site inspection must be carried out, such as prior to a major concrete pour; and

- (c) the relevant contract or project manager shall ensure that site inspections are carried out in terms of the contractual provisions.

Secondary employment

- 16.31 The Municipality shall not enter into a contract for the supply of goods, the provision of services or the execution of work involving an employee of the Municipality in another capacity than as an employee of the Municipality.

Dealing with former staff and councillors

- 16.32 The Municipality shall not enter into a contract for the supply of goods, the provision of services or the execution of work involving an employee who has left the employ of the Municipality within one year after she/he left the employ of the Municipality.

- 16.33 Whenever an employee of the Municipality who was involved in the evaluation of an offer or awarding of a contract leaves the service of the Municipality and becomes involved with the contractor before the contract has been completed, the Municipality shall have the right, without prejudice to any other remedies that the Municipality may have, to -

- (a) cancel the contract and appoint another supplier to complete the contract; or
- (b) Cancel the contract and sue the contractor for any damages or costs the Municipality may have suffered or incurred as a consequence of cancelling the contract.

16.34 Proudly SA Campaign

1. A supply chain management policy must stipulate to what extent the Municipality supports the Proudly SA Campaign.
2. Matjhabeng Local Municipality will procure the following products from South African made companies.
 - a) Textile, clothing, leather and footwear
 - b) Power pylons
 - c) Electricity power supply cables.
3. The products mentioned in section (a) (b) and (c) should hundred percent South African products.

MATJHABENG LOCAL MUNICIPALITY



DEPOSIT POLICY

Effective: 01 July 2016

Table of Contents

PREAMBLE AND DEFINATIONS.....	3
OBJECTIVES.....	4
FORM OF DEPOSITS	4
AMOUNT OF DEPOSIT	4
REVISION OF DEPOSIT	4
INTEREST	5
ALLOCATION OF PAYMENTS	5
REFUND OF DEPOSIT	5
UNCLAIMED DEPOSIT.....	5
UNECONOMIC REFUNDNDs	5
IMPLEMENTATION AND REVIEW.....	6
SHORTTITLE AND COMMENCEMENT	6
ACKLOWLEDGEMENT OF RECEIPT.....	7

1. PREAMBLE AND DEFINITIONS

PREAMBLE

Whereas Section 96(a) of the Local Government: Municipal Systems Act, No 32 of 2000 (hereinafter referred to as the “MSA”), obliges the municipality to collect all money that is due and payable to it, subject to the provisions of that Act and any other applicable legislation;

And whereas Section 96(b) of the Systems Act requires the Matjhabeng Local Municipality to adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of the Act;

And whereas Section 97(1) of the Systems Act stipulates what a credit control and debt collection policy must provide for;

And in terms of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003) sections 62 and 64 require the effective management of the municipality’s revenue;

The municipality require protection that service rendered will be paid for by the customer therefore It is equally appropriate that council adopt the deposit policy of Matjhabeng municipality (section 104(1) d).

DEFINITIONS

“**Municipality**” refers to Matjhabeng Local Municipality,

“**Customer**” means the owner or occupier of the property or premises, liable to the council for payment of municipal account or part thereof,

“**Council**” means the municipal council of Matjhabeng Local Municipality in terms of section 18 of Municipal Structures act and or section 157(1) of the Constitution,

“**Credit Control and Debt Collection Policy**” means the credit control and debt collection as adopted by Matjhabeng Municipal council in terms of section 96(b) of the Municipal Systems Act 2000 as amended,

“**Deposit**” an amount paid by customer, to be withheld by the municipality from the opening of an account till termination, and will be refunded on termination provided as prescribed by this policy and the customer does not owe the municipality on other accounts.

“**Financial Year**” means the municipality s year starting at 1st July and ending at 30 June of the following year.

“**Service agreement**” means a form to be completed by customer when applying for municipal service /account,

“**Termination of service**” means the form to be completed by the customer as a notice of closing the municipal account.

“arrears” means the debt that is overdue after missing one or more required payments.

“Foreigner” a person who comes from a foreign country, a person who does not have South African Bar-coded identity book issued by South African Department of Home Affairs.

“Refund” to return money, repayment, or of balancing account, appropriation of deposit held by the municipality.

1. OBJECTIVES

1.1. Section 64 of the Municipal Finance Management Act (MFMA) requires the Accounting officer of a municipality to take all reasonable steps to ensure that the municipality has and maintains effective revenue collection systems consistence with section 95 of the Municipal Systems Act (MSA) and the municipality s credit control and debt collection policy and the requirements of section 104(1) d of MSA. As such the municipality charges and withhold consumer deposit and this policy must provide for the management of such consumer deposit.

2. FORM OF DEPOSIT

2.1. The deposit shall be in the form of cash/cheque deposit. Irrevocable bank guarantees will only be accepted after an application is made stating all reasons why deposit cannot be made in the form of cash or cheque and is approved by the Chief Financial Officer. Deposits are payable on opening of accounts and will be held until the account is closed.

3. AMOUNT OF DEPOSIT

3.1. The minimum amount of deposit which is equivalent to estimate of customer`s average monthly utility bill for service will be set annually in the tariff book. The deposit may vary according to the credit worthiness or the risk as determined by council.

3.2. The municipality may classify customers in terms of their credit risk profile into three groups;(Competence of the FMS)

3.2.1. Good Customers – Customer with a good credit record and pose no credit risk to the municipality,

3.2.2. Moderate Customers – Customers with a moderate credit record and pose a credit risk to the municipality, and

3.2.3. Bad Customers – Customers with a bad credit record and pose a significant risk to the municipality.

3.2.4. Foreign Customer – deposit can be different to the one on the table on the merit and approval of the Chief Financial Officer.

3.3. Only the Chief Financial Officer has the right to approve the amount other than in the policy.

3.4. The security deposit will accordingly vary according to credit rating of the customer as assessed by the municipality.

4. REVISION OF DEPOSIT

4.1. The municipality may at its sole discretion increase the deposit by not less than 10% of the approved deposit as per the approved tariff list of the current year. The deposit may be increased on the following grounds:

4.2. If the consumer`s account is regularly in arrears

4.3. If the consumer s account is regularly in arrears and the average account if far more than the deposit.

4.4. If the consumer`s service supply is regularly restricted or disconnected

4.5. When the debtor applies for extension of time to settle account

4.6. If and when the debtor poses a payment risk to the municipality

4.7. When reviewing the tariffs for the new financial year or such time when the municipality deems it necessary at its sole discretion.

5. INTEREST

- 5.1. The municipality will not pay any interest on deposits. All deposit paid shall not be regarded as being in payment of account due to the municipality, as such will be held by the municipality as its security until the account is closed and fully settled.

6. ALLOCATION OF PAYMENTS

- 6.1. should the municipality increase the deposit as in the revision of deposit above, the amount paid shall first be allocated to the deposit and then other services as per the municipality`s credit control and debt collection policies and by-laws.
- 6.2. This sequence of allocation shall be followed notwithstanding any instruction to the contrary given by the accountholder.

7. REFUND OF DEPOSIT

- 7.1. On the termination of the service agreement, the deposit held by the municipality shall be refunded to the debtor within 45 days of the termination of service and the submission of all the required information, provided that the customer has paid the account in full, if the account has not been paid in full, the deposit will be applied to any outstanding amounts owed by the customer, if the deposit exceeds the amount due, the balance will be returned to the customer.
- 7.2. If the deposit is not sufficient to cover the amount due, the customer shall remain liable and notice to that effect shall be given to the client to settle the account after which credit control shall be applied.
- 7.3. The municipality cannot be held responsible for not paying out the deposit that is not claimed, or paid out on time due to outstanding documents. It remains the responsibility of the consumers to claim and follow up on the deposits held by the municipality.

8. UNCLAIMED DEPOSIT

- 8.1. Only deposits which have been claimed by the customer will be refunded and these deposits will only be refunded to customers who can positively identify themselves as persons who have signed the agreement with councils, or in the absence of the person the death certificate of such person. Guarantees will only be released upon the full settlement of the outstanding debt to council and the notice of such is made to the municipality.
- 8.2. Where the customer does not complete the termination of service agreement form, services are disconnected by the application of the new customer, it remains the responsibility of such person to claim their deposits.

9. UNECONOMIC REFUNDS

- 9.1. Where the municipality deem uneconomic to refund a certain amount to be decided annually by council, such amounts will be consolidated and forfeited, if considerable paid over to charity by the Mayor of the municipality or set off against provision for bad debts.
- 9.2. Where the customer has another account with the municipality Credit can be transferred between accounts, same where the account is in arrears [Section 102(1) of the Municipal Systems Act]

10. IMPLEMENTATION AND REVIEW

- 10.1. Council has discretion power to amend any clause, stipulation or tariff embodied in the deposit policy in the interest of the parties concerned.
- 10.2. This policy shall be reviewed annually during March of the year preceding the new budget commencing on 01 July and be amended, if necessary.

11. SHORT TITLE AND COMMENCEMENT

- 11.1. This policy will be known as the deposit policy of Matjhabeng Municipality and shall commence on the date of adoption by municipal council resolution.

[illegible]

MATJHABNEG LOCAL MUNICIPALITY



UNALLOCATED RECEIPTS POLICY

Resolving of unallocated receipts

1. DEFINITIONS

Unallocated receipts – payment or deposit from a consumer or third party for services rendered by the Municipality in the Municipality's bank account but it can't be identified by way of a reference number.

Deposit – payment made by a person, individual or business for services rendered by the Municipality.

2. INTRODUCTION

Consumers, individuals or businesses have the option to pay for municipal services or other services rendered by the Municipality by way of an electronic transfer or deposit at the bank.

Throughout the years the Municipality received various deposits that reflect on the bank statements with either the incorrect reference number or the reference number is not sufficient to identify the person who made the deposit. These deposits were receipted against a debtors account only when proof of the deposit can be furnished to the accounts department by the person that made the deposit.

A number of deposits remained un-identified and the Municipality instituted the following procedures to receipt the deposits to the correct accounts:

- Contacted the bankers of the Municipality to trace some of the electronic transfers
- Visited consumers to identify the owner of the payment according to a name or some reference possibly linking us to a consumer
- Searched accounts with similar names on the debtors database

After all these processes were followed and there are still un-allocated receipts that could not be allocated these deposits are then processed to a suspense account. Deposits that are not claimed within a period of three years after the initial deposit date will be regarded as other income in accordance with the Prescription Act.

3. OBJECTIVES

The objective is to identify the depositor of unidentified deposits on the bank statement.

4. PROCEDURES

The procedures followed to identify unallocated receipts are as follows:

- Obtain a list of unallocated receipts from the monthly bank reconciliation
- Link the list of unallocated receipts to the bank statements and match the date and the amount
- If there are more than one amount on the same date then the amounts with clear reference numbers are eliminated
- The remaining unallocated receipts are then followed up as discussed in paragraph 2 above

5. CONCLUSION

We conclude that the processes followed were in accordance with best practices.

Resolving of unallocated receipts

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INDEX

PART 1	DEFINITION OF A FIXED ASSET
PART 2	FUNCTIONAL RESPONSIBILITIES
PART 3	FORMAT OF FIXED ASSET REGISTER
PART 4	CLASSIFICATION OF FIXED ASSETS
PART 5	INVESTMENT PROPERTY
PART 6	FIXED ASSETS TREATED AS INVENTORY
PART 7	RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER
PART 8	RECOGNITION OF DONATED ASSETS
PART 9	SAFEKEEPING OF ASSETS
PART 10	IDENTIFICATION OF FIXED ASSETS
PART 11	PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION OR IMPAIRMENT OF FIXED ASSETS
PART 12	CAPITALISATION CRITERIA: MATERIAL VALUE
PART 13	CAPITALISATION CRITERIA: INTANGIBLE ITEMS
PART 14	CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES
PART 15	MAINTENANCE PLANS
PART 16	DEFERRED MAINTENANCE
PART 17	GENERAL MAINTENANCE OF FIXED ASSETS
PART 18	DEPRECIATION OF FIXED ASSETS
PART 19	RATE OF DEPRECIATION
PART 20	METHOD OF DEPRECIATION
PART 21	AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

PART 22	ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES
PART 23	CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION
PART 24	CARRYING VALUES OF FIXED ASSETS
PART 25	REVALUATION OF FIXED ASSETS
PART 26	IMPAIRMENT LOSSES
PART 27	VERIFICATION OF FIXED ASSETS
PART 28	ALIENATION OF FIXED ASSETS
PART 29	OTHER WRITE-OFFS OF FIXED ASSETS
PART 30	REPLACEMENT NORMS
PART 31	INSURANCE OF FIXED ASSETS
PART 32	BIOLOGICAL ASSETS
PART 33	ANNEXURE: FIXED ASSET LIVES
PART 34	ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

PART 1 DEFINITION OF A FIXED ASSET

A fixed asset is defined in GAMAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the productions 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 recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

Assets held under leases

Finance leases are leases, which in effect transfer all risks and rewards associated with the ownership of an asset from the lessor to the lessee. Assets held under finance leases are capitalized by the municipality and reflected as such in the FAR. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement. The asset is then depreciated over its expected useful life.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Assets held under operating leases are not accounted for in the asset registers of the municipality.

PART 2 FUNCTIONAL RESPONSIBILITIES

The purpose of this section is to prescribe the responsibilities of the Municipality regarding assets as follows:

- 2.1. The Municipal Manager
- 2.2. The Finance Department: Asset Control.
- 2.3. The Budget Department
- 2.4. The Expenditure Department
- 2.5. The Procurement Department
- 2.6. Human Resources Department (HR)
- 2.7. Other Department

2.1. The Municipal Manager

The Municipal Manager or his duly delegated representative is responsible to:

- a) Ensure implementation of the approved Asset Management Policy as required in terms of section 63 of the Municipal Finance Management Act (MFMA).
- b) Verify assets in possession of the Council annually, during the course of the financial year.
- c) Keep a complete and balanced record of all assets in possession of the Council.
- d) Report in writing all asset losses, where applicable, to Council.
- e) Ensure that assets are valued and accounted for in accordance with GRAP.

2.2 The Finance Department: Asset Control.

The Finance Department: Asset Control:

- a) Shall ensure that complete records of asset items are kept, verified and balanced regularly,
- b) Shall ensure that all departments are doing annual asset verification. The results of this verification must be reported to the Municipal Manager or Council.
- c) The asset verification report shall –
 - i. Reflect a complete list of all assets found during the verification;
 - ii. Reflect whether appropriate records have been maintained reflecting what articles should have been found during verification
 - iii. Reflect any discrepancies between the articles found during verification and the record referred to in paragraph (b);
 - iv. Be submitted to the departments for comment on variances reflected
- d) Shall ensure that the Asset Register is balanced annually with the general ledger and the financial statements.
- e) Shall ensure adequate bar codes and equipment to exercise the function relating to asset control are available at all times..
- f) Provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Asset Register.
- g) Ensure that all audit queries are resolved in a timely manner.

2.3. The Budget Control Department:

The Budget Department:

- a) Shall ensure that a project is created for approved budgeted capital expenditure that clearly describes the item to be acquired. A clear description of the funding source is also required.
- b) Shall release capital funds only after receiving written authority and a clear and concise description of the item to be purchased.
- c) Shall ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to Finance Department - Asset Control.
- d) Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the Finance Department in the prescribed format.

2.4. The Expenditure Department

The Expenditure Department:

- a) Shall ensure that invoices authorized for payment are matched to the goods received note before processing such payment.
- b) Shall if any doubt exists as to whether the invoice is in accordance with policy, query the payment with the relevant department and shall not process a payment until the invoice meets the policy criteria

2.5. The Procurement Department

2.5.1 The Procurement Department:

- a) Shall ensure that the correct material group is allocated to asset acquisitions to enable the creation of the relevant work flow message.
- b) The tender committee must comply with and be constituted in accordance with the procurement policy.

2.5.2 Expenditure Department: (Stores)

- a) Shall ensure that, before accepting an obsolete or damaged asset or asset inventory item, a completed asset form and condemnation form, counter signed by Finance Department - Asset Control, are presented.
- b) Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from departments.

- c) Shall compile a list of the items to be auctioned in accordance with their guidelines and the prescriptions of the Finance Department: - Asset Control.
- d) Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.
- e) Shall ensure that Budget Control Department: Asset Control is notified of any auctioning or disposing of written-off asset or asset inventory items.

2.6. Human Resources Department

Human Resources Department:

- a) Shall ensure that no monies are paid out on terminations of service without receiving the relevant asset resignation form signed off by the relevant directorate.
- b) Shall ensure that every asset resignation form is counter signed by the Finance Directorate Asset Control before processing the termination of service.

2.7. All other Departments

All Departments:

- a) Shall ensure that employees in their directorates adhere to the approved Asset Management Policies and Procedures.
- b) Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in his/her department. Budget Control Department: Asset Control must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the Head of Department.
- c) Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policy.
- d) Shall ensure that the assets and / or inventory items of the municipality are not used for private gain.
- e) Shall ensure that they budget for adequate funds for the purchase of bar coding equipment.
- f) Shall ensure that all their movable assets as reflected on the Asset Register and the Asset Inventory Register are bar coded.
- g) Shall ensure that the Budget Department: Asset Control is notified of any changes in the status of the assets under the directorate's control. This must be done on the prescribed form and include the following:

- Movements which relate to the writing-off of and transfer of assets (inter departmental transfers).
 - Changes in the estimated useful lives of assets for depreciation purposes.
 - The identification of impairment losses on assets by following the procedures as outlined in 3.4.2 of this policy document.
- h) Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- i) Shall ensure that a complete asset verification of all inventory and asset items is done during the course of every financial year and that the results of the verification are reported to Budget Department Asset Control.
- j) Shall ensure that all obsolete and broken inventory and asset items, accompanied by the relevant asset form and attached condemnation forms, are handed in to the inventory management department without delay.
- k) Shall be responsible for maintaining and managing their own Departmental Asset Inventory Records (DIR) for items that will not be recorded in the Asset Register or Asset Inventory Register. These inventory assets are acquired via the operational budget. The information to be recorded in the DIR must include the description, quantity and location of the items.
- l) Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- m) The detailed projects as created must be categorized and clearly identified as follows:

Immovable Assets:

- Infrastructure assets
- Roads
- Buildings
- Land
- Pedestrian Malls
- Airports
- Recreational Facilities
- Security Measures
- Asset under construction (Only an asset after completion)
- Town Development
- Investment Properties

Movable Assets:

- Office Equipment
- Furniture and Fittings
- Bins and Containers

- Emergency Equipment
- Motor Vehicles
- Aircraft
- Watercraft
- Plant and Equipment
- Vehicles
- Furniture
- Plant
- Small Plant

PART 4 FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and generally accepted municipal accounting practice (GAMAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset
- the 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 part 11 below
- the original cost, or the revalued amount determined in compliance with part 26 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
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

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

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed assets register 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.

PART 5 CLASSIFICATION OF FIXED ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

- land (not held as investment assets)
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- heritage assets (culturally significant resources)
- other assets (ordinary operational resources)

INVENTORY

- housing (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

- investment assets (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 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.

PART 6 INVESTMENT PROPERTY

Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of 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 fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register 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 valuer shall be engaged by the municipality to undertake such valuations unless available in-house.

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

PART 7 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 property, plant and equipment or investment property in the municipality's statement of position.

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

PART 8 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 chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

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

PART 9 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 fixed asset register at its fair value, as determined by the chief financial officer.

PART 10 SAFEKEEPING OF ASSETS

Every head of department 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 head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

PART 11 IDENTIFICATION OF FIXED ASSETS

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, 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 head of department 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.

PART 12 PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department 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 chief financial officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE

No item with an initial cost or fair value of less than R5 000 (five thousand rand) – or such other amount as the council of the municipality may from time to time determine on the recommendation of the municipal manager – shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

Every head of department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stocksheets. Every head of department shall moreover ensure that the existence of items recorded on such stocksheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stocksheets pursuant to such stock verifications shall be retained for audit purposes.

PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, 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.

PART 15 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 capitalised.

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 capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised 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.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure: -

Capital Expenditure	Maintenance
<ul style="list-style-type: none"> ▪ Acquiring a new asset ▪ Replacing an existing asset ▪ Enhancing an existing asset so that its use is expanded ▪ Further developing an existing asset so that its original useful life is extended 	<ul style="list-style-type: none"> ▪ Restoring an asset so that it can continue to be used for its intended purpose ▪ Maintaining an asset so that it can be used for the period for which it was initially intended.

PART 16 MAINTENANCE PLANS

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

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

The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, 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.

PART 17 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 chief financial officer 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 of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the chief financial officer shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department 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.

PART 19 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 monthly 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, depreciation charges shall be calculated monthly.

Each head of department, acting in consultation with the chief financial officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable 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 amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

PART 20 RATE OF DEPRECIATION

The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the 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.

PART 21 METHOD OF DEPRECIATION

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

PART 22 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.

The chief financial officer 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 fixed asset register.

In the 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.

PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

The chief financial officer 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 chief financial officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

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

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 24 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

NOTE: Part 24 has been prepared on the assumption that these reserves are allowed.

The chief financial officer 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 chief financial officer 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 each month 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 chief financial officer shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

PART 25 CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be carried in the fixed asset register, 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 revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

PART 26 REVALUATION OF FIXED ASSETS (LAND AND BUILDINGS ONLY)

Subsequent to initial recognition as an asset, an item of **land and buildings** may be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations shall be made with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair value at the balance sheet date.

The fair value of land and buildings will be based on their market value indicated in the valuation roll. This value will normally be determined by a professional valuer.

The revaluation of land and buildings cannot be limited to specific sets of land or buildings but shall include the entire class of property to which such an asset belongs.

Any increase as a result of a revaluation in the carrying amount will be credited to the NDR under the heading "Revaluation Surplus", however a revaluation increase shall be recognised as revenue to the extent that it reverses a revaluation decrease previously recognised as an expense. Depreciation on the re-valued amount will be charged to the income statement and a transfer will be made from the NDR to offset this depreciation in the statement of changes in equity.

Where a decrease arises such a decrease should be recognised as an expense but may be charged directly against any revaluation surplus to the extent of the balance of such a revaluation surplus.

PART 27 IMPAIRMENT LOSSES

The accounting treatment relating to impairment losses is outlined as follows in **GAMAP 17**:

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

Recoverable amount is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve in accordance with GAMAP 17.

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

The following may be indicators that an item of PPE has become impaired:

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

Example:

An example of where the municipality has suffered an impairment loss is the purchase of land for an amount of R 5 000 000. The land will be utilized for new subsidized housing developments. If at year end the expectation is that the Municipality will receive only R 1000 000 by way of subsidies an impairment loss of R 4 000 000 needs to be recognized. The recoverable amount (R 1 m) is calculated as being the larger of

- **Net Selling price** of the land which is the amount obtainable from the sale of the market in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

- **Value in use** of the land which is the present value of the estimated future net cash inflows expected from the continuing use of the asset and from its disposal at the end of its useful life.

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

- Departments will identify and inform Finance Department - Asset Control of assets that:
 - Are in a state of damage at year end.
 - Are technologically obsolete at year end. This can be facilitated if departments require Finance Department - Asset Control to supply them with a Fixed Asset Register printout pertaining to major assets showing the remaining useful lives of assets. The departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout.
 - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
 - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is Land that is purchased at market value and is to be utilized for subsidized housing developments.
- The recoverable amounts of these assets need to be calculated by calculating the Net selling Price per asset as defined above.
- The impairment loss per asset needs to be calculated as the difference between the Net selling price and the book value of the asset.
- The impairment loss needs to be accounted for by identifying the relevant funding source.

DISCLOSURE REQUIREMENTS RELATING TO IMPAIRMENT LOSSES:

All material impairment losses need to be disclosed in the notes to the income statement as a separately disclosable item. They are normally disclosed as part of the note on the amounts that are included in the calculation of the Net Surplus or Deficit for the year.

PART 27 VERIFICATION OF FIXED ASSETS

Every head of department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

Every head of department shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant

report shall be submitted to the chief financial officer not later than 30 June of the year in question.

PART 28 ALIENATION OF FIXED ASSETS

NOTE: The reference to the asset financing reserve below is based on the assumption that the reserve is allowed.

In compliance with the principles and prescriptions of the Municipal Finance Management Act, 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 head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R5 000 (five thousand rand).

The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, 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.

PART 29 OTHER WRITE-OFFS OF FIXED ASSETS

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

Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality 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, destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

PART 30 REPLACEMENT NORMS

The municipal manager, in consultation with the chief financial officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 31 INSURANCE OF FIXED ASSETS

The municipal manager 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.

If the municipality operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer 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 heads of departments concerned.

The municipal manager shall recommend to the council of the municipality, after consulting with the chief financial officer, the basis of the insurance to be applied to each type of 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 chief financial officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

PART 32 BIOLOGICAL ASSETS

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

The chief financial officer, in consultation with the head(s) of department 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 valuer 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 an operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department 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 fixed assets register or in a separate accounting record altogether, and such details shall reflect the information which the chief financial officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the municipality considers such insurance desirable and affordable.

PART 33 ANNEXURE: FIXED ASSET LIVES

INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

*	Electricity	
	Power stations	(30)
	Cooling towers	(30)
	Transformer kiosks	(30)
	Meters	(20)
	Load control equipment	(20)
	Switchgear	(20)
	Supply and reticulation networks	(20)
	Mains	(20)
*	Roads	
	Motorways	(15)
	Other roads	(10)
	Traffic islands	(10)
	Traffic lights	(20)
	Street lights	(25)
	Overhead bridges	(30)
	Stormwater drains	(20)
	Bridges, subways and culverts	(30)
	Car parks	(20)
	Bus terminals	(20)
*	Water	
	Mains	(20)
	Supply and reticulation networks	(20)
	Reservoirs and storage tanks	(20)
	Meters	(15)
	Rights (that is, the right to draw water from a particular source belonging to another party)	(20)
*	Gas	

	Supply and reticulation networks	(20)
	Storage tanks	(20)
	Mains	(20)
	Meters	(20)
*	Sewerage	
	Sewer mains	(20)
	Outfall sewers	(20)
	Sewage purification works	(20)
	Sewerage pumps	(15)
	Sludge machines	(15)
*	Pedestrian malls	
	Footways	(20)
	Kerbing	(20)
	Paving	(20)
*	Airports	
	Runways	(20)
	Aprons	(20)
	Taxiways	(20)
	Airport and radio beacons	(20)
*	Security measures	
	Access control systems	(5)
	Security systems	(5)
	Security fencing	(3)

COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

*	Buildings and other assets	
	Ambulance stations	(30)

Aquariums	(30)
Beach developments	(30)
Care centres	(30)
Cemeteries	(30) #
Civic theatres	(30)
Clinics and hospitals	(30)
Community centres	(30)
Fire stations	(30)
Game reserves and rest camps	(30)
Indoor sports	(30)
Libraries	(30)
Museums and art galleries	(30)
Parks	(30)
Public conveniences and bath houses	(30)
Recreation centres	(30)
Sports and related stadiums	(30)
Zoos	(30)

* Recreation facilities	
Bowling greens	(20)
Tennis courts	(20)
Swimming pools	(20)
Golf courses	(20)
Jukskei pitches	(20)
Outdoor sports facilities	(20)
Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	(20)
Lakes and dams	(20)
Fountains	(20)
Flood lighting	(20)

Sum-of-units method of depreciation may be preferred.

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

INVESTMENT ASSETS

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each municipality. However, the following will be among the most frequently encountered:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties) (30)
- Shopping centres (again developed along similar lines) (30)
- Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit) (30)

OTHER ASSETS

The following is a list of other assets, again showing the estimated useful life in years in brackets:

*	Buildings	
	Abattoirs	(30)
	Asphalt plant	(30)
	Cable stations	(30)
	Caravan parks	(30)
	Compacting stations	(30)
	Hostels used to accommodate the public or tourists	(30)
	Hostels for municipal employees	(30)
	Housing schemes	(30)
	Kilns	(30)
	Laboratories	(30)
	Fresh produce and other markets	(30)
	Nurseries	(30)
	Office buildings	(30)
	Old age homes	(30)
	Quarries	(30) #
	Tip sites	(30) #
	Training centres	(30)
	Transport facilities	(30)
	Workshops and depots	(30)
*	Office equipment	
	Computer hardware	(5)
	Computer software	(3-5)
	Office machines	(3-5)
	Air conditioners	(5-7)
*	Furniture and fittings	
	Chairs	(7-10)

	Tables and desks	(7-10)
	Cabinets and cupboards	(7-10)
*	Bins and containers	
	Household refuse bins	(5)
	Bulk refuse containers	(10)
*	Emergency equipment	
	Fire hoses	(5)
	Other fire-fighting equipment	(15)
	Emergency lights	(5)
*	Motor vehicles	
	Ambulances	(5-10)
	Fire engines	(20)
	Buses	(15)
	Trucks and light delivery vehicles	(5-7)
	Ordinary motor vehicles	(5-7)
	Motor cycles	(3)
*	Plant and equipment	
	Graders	(10-15)
	Tractors	(10-15)
	Mechanical horses	(10-15)
	Farm equipment	(5)
	Lawn mowers	(2)
	Compressors	(5)
	Laboratory equipment	(5)
	Radio equipment	(5)
	Firearms	(5)
	Telecommunication equipment	(5)
	Cable cars	(15)
	Irrigation systems	(15)
	Cremators	(15)

	Lathes	(15)
	Filling equipment	(15)
	Conveyors	(15)
	Feeders	(15)
	Tippers	(15)
	Pulverising mills	(15)
*	Other	
	Aircraft	(15)
	Watercraft	(15)

Sum-of-units may be preferred.

PART 34 ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A 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.

MATJHABENG MUNICIPALITY

LOCAL



PETTY CASH POLICY

MATJHABENG LOCAL MUNICIPALITY

PETTY CASH POLICY

Purpose of policy

1. Where the need may arise in a department/division to have cash available for payments of a minor and recurring nature and it is impracticable to obtain cheque payments for every expense, such payments may be handled by means of petty cash facilities.
2. The Municipal Manager may delegate control and management of the petty cash float to the Chief Financial Officer in which event reference to the Municipal Manager in this policy shall be construed as reference to the Chief Financial Officer.
3. At the discretion of the Municipal Manager, departments or divisions of the Municipality may be provided with their own petty cash floats.
4. In the event where the Municipal Manager appoints an officer to take control of a petty cash float, he/she must be independent of all other cash functions such as cashiering.
5. In the event of a department or division being authorised to keep a petty cash float, the Head of the Department or Division concerned shall designate a staff member of that department/division as a departmental or divisional petty cash officer.

Maximum Petty Cash Float

The Municipal Manager may determine the maximum amount per petty cash officer, which may be withdrawn from the banking account of the Council for purposes of departmental/divisional floats.

Procedures for the handling of Petty Cash

1. The application for a petty cash facility or for increase of the operational amount of an existing petty cash float, must be made in writing to the Municipal Manager.
2. The application must state reasons for the need of a petty cash float and the amount required for its operation, as well as the cost centre from which funds are to be applied for the petty cash. The amount should be sufficient to cover expenses for approximately a month.
3. The responsibility for operating petty cash and the safe keeping of petty cash funds in a department or division must be assigned to the designated petty cash officer only, and the head of the department/division shall be co-responsible for petty cash management in such department or division.

4. The keeping of a formal petty cash register is compulsory, except where petty cash expenses is posted directly on the official financial system of the municipality.
5. Payments to establish a petty cash float may only be, by way of a cheque made payable to the designated petty cash officer and upon submission of a requisition or memo signed by such petty cash officer.
6. Petty cash payments may only be made by the designated petty cash officer upon production of a petty cash voucher accompanied by proper supporting documents such as cash sale slips or receipts containing the supplier's name.
7. The petty cash limit per expenditure voucher shall be set at R 10 000.00 PM , VAT inclusive, except if the Municipal Manager or Chief Financial Officer authorise the petty cash voucher for a higher amount.
8. If cash is advanced without supporting documents it should be on the basis of an advance or I.O.U , under signature of the receiving official, and authorised by the Head of the Department or divisional head. The receiving official must ensure that the relevant cash slips or receipts must reach the petty cash officer not later than three working days after the money was received.
9. The petty cash officer must regularly pursue outstanding advances and long outstanding advances must be brought to the attention of the Chief Financial Officer who must take the appropriate action to ensure that the amount advanced has been properly spent and proof of the expenditure is submitted.
10. Each petty cash voucher must be signed by the receiving official, Head of department or divisional head and a senior official of the finance department.
11. When the cash in the petty cash float is almost exhausted, the petty cash register must be balanced and reconciled.
12. Replenishment of the petty cash float is undertaken after the balancing and reconciliation of the petty cash register has been checked and approved by the Chief Financial Officer or manager of the finance department.
13. A cheque must be made out to the petty, Full time Political Office Bearers Secretary Senior Managers' Secretary, cash officer for the replenishment of the petty cash float and such cheque must be encashed by this officer who must record the amount received in the petty cash register.
14. Petty cash funds must at all times be secured in a lockable container suitable for securing money, and secured in a lockable cabinet.
15. Reasonable precautions must be exercised for the safe keeping of the keys to the petty cash container and room where it is kept.
16. Petty cash funds are to be used exclusively for the payment of smaller official expenses, excluding the following:

No private loans from petty cash funds are permitted.
No staff cheques may be cashed out of petty cash funds.
No travelling claims of officials may be paid from petty cash funds.
No installment invoices such as the rental of equipment are permitted.
It is forbidden to purchase a capital item / asset through petty cash.

17. The petty cash is operated by means of imprest payments. The cash balance added to the total expenses at any stage, must be equal to the authorised imprest amount. The internal or external auditors of the municipality may at any stage without prior notice, perform an audit of a petty cash to confirm the cash balance.
18. Shortages and surplus funds concerning petty cash must immediately be paid in at the cashier and the reason for the shortage/surplus must be investigated by the head of the department or division with a view to rectification.
19. The total amount of petty cash, in the form vouchers or cash, shall be counted (physical verification) in full at the end of the financial year, before closure of the revenue offices, and these should equal the authorised imprest amount. This step is in line with the accrual basis of accounting.



TRAVELLING AND SUBSISTENCE POLICY

2015-02-05

CONTENTS

Ref	Descriptions	Pages
1	Introduction	3
2	Purpose	3
3	Superseded Regulation	3
4	Legal Framework	3
5	Definitions	3
6	Travelling and Subsistence Allowance	4
7	Accommodation Cost	4
8	Travelling outside the jurisdiction of Matjhabeng Municipality:	5
8.1	Car Rental and Travel Costs	5
8.2	Employees receiving car allowance	5
8.3	International Travelling	6
8.4	Travel costs for persons invited for interviews	6
8.5	Travel costs outside Matjhabeng Boundaries	6
9	Daily allowance in respect of meals and incidental costs	6
10	Authorization	7

1. INTRODUCTION

Travelling and Subsistence Allowance (herein under referred as S&T Policy) Policy ensures that the Matjhabeng Municipality performs its operations in an effective manner to ensure maximum efficiency and to prevent fraud, corruption, favouritism and unfair practices in implementing this policy.

2. PURPOSE

The purpose of this policy is to provide guidelines for employees of Matjhabeng Local Municipality to adhere to when travelling for business of the Council. Additionally, municipal employees must comply with any specific additional restricting mandates they have been given concerning business travel. This policy attempts to avoid any potential misuse of Council funds.

3. SUPERSEDED REGULATION

This policy replaces all travelling and subsistence policies previously published and issued by Matjhabeng Municipality as well as the inherited travelling and subsistence policies from former TLC's.

4. LEGAL FRAMEWORK

Matjhabeng Municipality's Travelling and Subsistence Policy is underpinned by the following statutes and statutory provisions:

- Municipal Finance Management Act No 56 of 2003.
- Income Tax Act No 58 of 1962 as amended.

5. DEFINITIONS

"Approved budget" means an annual budget approved by a municipal council.

"Councillor" means the member of a municipal council.

"Fruitless and wasteful expenditure" means expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

"Mayor" in relation to a municipality with the Executive Mayor, means the councillor elected as the Executive Mayor of the municipality in terms of section 55 of the Municipal Structures Act.

"Municipal Manager" means a person appointed in terms of section 82 (1)(a) or (b) of the Municipal Structures Act.

6. TRAVELLING AND SUBSISTENCE ALLOWANCE

A travelling and subsistence allowance will be paid by Matjhabeng Local Municipality to employees to cover the below expenses:

- Accommodation;
- Car rental;
- Reimbursement when own car used;
- Tollgate fees;
- Airplane tickets;
- Daily allowance in respect of meals and incidental costs.

7. ACCOMMODATION COST

All employees who travel for business of the Council to another city or town, where the business unavoidably entails one or more nights to be spent away from home, may stay in a Hotel, Guesthouse, Lodge or Bed & Breakfast, with approval of his/her Head of Department.

Employees may not be accompanied by friends or family members at Council cost. If an employee decides to be accompanied by a friend or family member, then an employee must pay all the expenses incurred by the friend or family member.

The subsistence which shall be paid by the Council is **subject** to a maximum of one thousand five hundred and twenty rand (R1 520.00) per night.

Subsistence of R1 520.00 (max) is broken down as follows (subject to tariff increases, linked to inflation):

- | | |
|--|-----------------------|
| ❖ Accommodation (bed and breakfast plus parking fees if any) | ± R1 300.00 per night |
| ❖ Dinner include soft drinks only (maximum) | R 220.00 per day |

If an employee exceeds the maximum amount of subsistence cost as per this policy, any extra expenses incurred will be paid by the employee.

Services or expenses which the Municipality will not be liable for, include amongst others:

- Telephone Bills
- Room Service (**optional**: to be within the dinner cost as in paragraph 7 above)
- Alcohol Beverages
- Newspaper
- Unnecessary overnight stay
- Entertainment (Cinema, Theatre, Night Clubs, etc)
- Paid TV Channels.

No employees shall be allowed to stay in a friend or relative's place whilst they are on the business trip or during business travel, if accommodation is paid by the municipality.

An employee must report any cancellation of bookings made in time, should he/she fails to do so, he/she will be expected to pay any expenses incurred in this regard.

8. TRAVELLING OUTSIDE THE JURISDICTION OF MATJHABENG MUNICIPALITY

8.1 Car Rental and Travel Cost

Where a Council vehicle is not available for official business, motor vehicles may be rented only for employees who do not receive any car allowance from the municipality.

Employees must adhere to the following conditions:

- Employees hiring a vehicle must hold a valid driver's license and familiarize themselves with the conditions of hire;
- Traffic fines and/or fines charged for late return of a rental car shall be paid by the employee and if necessary be deducted from the employee's salary at the end of the month, following the receipt of an invoice; and
- If an employee is involved in an accident while using a rented car and it is found that he/she is at fault, he/she may be liable for the cost.

The Municipality may hire a car for employees undertaking a business trip under the following categories:

Categories
A
B
D
N

When multiple employees are to travel to the same destination, only one car may be approved for every four people attending a meeting, seminar, etc. If more than six officials are going, a minibus shall be rented to accommodate the entire group. Car rentals must be approved as part of the travel package by Heads of Departments, before the trip is embarked on.

8.2 Employees receiving car allowance

An employee who receives a car allowance or owns a subsidized car must use their own subsidized vehicle for official business and not rent nor use Council's vehicle, except where the primary travel to the destination is via air. Approval for an employee who receives a car allowance to rent a car should be obtained from the Municipal Manager.

If an employee uses his/her subsidized car for an approved municipal business trip, he/she will be reimbursed at the rate per kilometer as prescribed by SARS.

8.3 International Travelling

All Council employees shall travel in Economy Class except for the Executive Mayor and Speaker who may travel in Business Class.

The Municipal Manager can authorize an official to travel in Business Class if the flight time would be for eight (8) or more hours.

The Municipal Manager can authorize any official accompanying the Executive Mayor or Speaker to travel in Business Class.

The cost of accommodation for International Travel may not exceed **US\$350** per day (subject to the prevailing exchange rates). The cost of meals and incidental costs will be **US\$215** per day for business trips outside the Republic.

8.4 Travel costs for persons invited for interviews

No subsistence costs will be paid to any candidate invited for an interview, but travelling costs at R0.80 per kilometer may be paid if the candidate has to travel more than 50 km to attend the interview, plus accommodation costs for one night only for candidates who travel more than 500 km (single trip).

8.5 Travel costs outside Matjhabeng boundaries

For employees travelling outside Matjhabeng for pre-approved or authorized municipal business, the kilometers travelled shall be charged according the rate per kilometer as prescribed by SARS.

9. DAILY ALLOWANCE IN RESPECT OF MEALS AND INCIDENTAL COSTS

Description	Amount to be paid to an employee
Daily incidental cost (completed 24 hr cycle)	Amount per day as prescribed by SARS
Cost of meals	Amount per day as prescribed by SARS

NB! Advance form designed by Finance department will be filled in before cost of meal is provided. Reconciliation form designed by Finance will be submitted together with the receipts to Finance department.

Application, authorization and utilization of daily incidental cost of meals must be done with care, taking into account the following areas that might attract audit queries:

- Daily incidental cost is to be paid to an employee where the accommodation to which this allowance or advance relates, is in the Republic.
- Cost of meals must be paid where it has been indicated that the employee will not be provided with meals during lunch or break. (Workshops/training programs to be read carefully to avoid fruitless and wasteful expenditure that might lead to fraudulent activities.)
- After attending external training/workshop events, it will be expected from delegates to submit a concise feedback report to Matjhabeng Local Municipality's Training Branch and the same report to be served before the relevant Portfolio Committee.

10. AUTHORIZATION

Matjhabeng Municipality has the following personnel to authorize any travelling and subsistence allowance:

- Municipal Manager may authorize any travel to be undertaken by lower level representatives, such as Heads of Departments. Heads of Departments may authorize any travel, inside the Republic, undertaken by employees in his department. Payment to be made for persons invited for interviews for respective departments must be in the department's approved budget.
- Travelling and Subsistence may be authorized after the trip as already been undertaken provided that the employee was delegated by his Head of Department and all relevant documents are attached.
- Council may authorize any travelling to be undertaken by the Mayor, Speaker, Councillors or the Municipal Manager provided the expenses to be incurred are on the approved budget of the Municipality.

NB! An invitation to attend a workshop, meeting or related events is not an automatic authorization to attend such workshop or event. The required authorization must still be obtained from the Municipal Manager or Executive Mayor or Executive Committee or Head of Department.

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# ***MATJHABENG LOCAL MUNICIPALITY***



## **LIABILITY, INVESTMENT AND CASH MANAGEMENT POLICY**



## TABLE OF CONTENTS

|                                                                    | Page      |
|--------------------------------------------------------------------|-----------|
| 1. <b>Introduction</b> .....                                       | <b>2</b>  |
| 2. <b>Regulatory Framework</b> .....                               | <b>2</b>  |
| 2.1 Legislation – MFMA 56 of 2003                                  |           |
| 2.2 Treasury Regulations                                           |           |
| 3. <b>Objectives</b> .....                                         | <b>2</b>  |
| 4. <b>Responsibility and Accountability</b> .....                  | <b>2</b>  |
| 5. <b>Borrowing Policy</b> .....                                   | <b>4</b>  |
| 5.1 General Policy                                                 |           |
| 5.2 Borrowing Limits                                               |           |
| 5.3 Liquidity and Credit Risk Management                           |           |
| 5.4 Security                                                       |           |
| 5.5 Repayment                                                      |           |
| 5.6 Contingent Liabilities                                         |           |
| 5.7 Foreign Currency Borrowing                                     |           |
| 6. <b>Investment Policy</b> .....                                  | <b>6</b>  |
| 6.1 General Policy                                                 |           |
| 6.2 Diversification                                                |           |
| 6.3 Quotations                                                     |           |
| 6.4 Ownership                                                      |           |
| 6.5 Investment Managers                                            |           |
| 7. <b>Cash Management Policy</b> .....                             | <b>7</b>  |
| 7.1 General Policy                                                 |           |
| 7.2 Bank Account                                                   |           |
| 7.3 Bank Overdraft                                                 |           |
| 8. <b>Performance Measurement</b> .....                            | <b>8</b>  |
| 8.1 Borrowing                                                      |           |
| 8.2 Investments                                                    |           |
| 9. <b>Reporting</b> .....                                          | <b>8</b>  |
| 9.1 Reports                                                        |           |
| 10. <b>Delegated Authorities &amp; Key Internal Controls</b> ..... | <b>9</b>  |
| 10.1 Delegated Authorities                                         |           |
| 10.2 Key Internal Controls                                         |           |
| 11. <b>Public Participation</b> .....                              | <b>10</b> |
| 12. <b>Review of Policy</b> .....                                  | <b>10</b> |
| 13. <b>Appendices</b> .....                                        | <b>11</b> |
| 13.1 Appendix A - Approved Institutions (Bank Ratings)             |           |
| 13.2 Appendix B - Relevant sections of the Act                     |           |
| 13.3 Appendix C - Draft Treasury Regulations                       |           |

## **LIABILITY, INVESTMENT AND CASH MANAGEMENT POLICY**

### **1. INTRODUCTION**

- 1.1 As a trustee of public funds Council is exposed to risks that may arise from debt raising, investments and associated interest rate management activity.
- 1.2 The purpose of this policy is to ensure that public funds are safeguarded and risk is reduced to an acceptable level within a regulatory framework.
- 1.3 This policy is guided by the provisions of the Municipal Finance Management Act (MFMA) (Act 56 of 2003).

### **2. REGULATORY FRAMEWORK**

- Legislation – MFMA
- Treasury regulations in terms of Section 13(1) of the Act.

### **3. OBJECTIVES**

- To comply within the regulatory framework in terms of the relevant legislation.
- To manage Council's investments within its strategic objectives and invest surplus cash in liquid and creditworthy approved institutions.
- To raise appropriate finance, in terms of both maturity and interest rate.
- To manage the overall cash position of Council's operations.

**In meeting the above objectives, Council is, above all, a risk adverse entity and seeks to minimise risk within its financial management activities. Interest rate risk, liquidity risk and credit risk are risks that Council needs to manage. Accordingly any activity which may be construed as speculative in nature is expressly forbidden.**

### **4. RESPONSIBILITY AND ACCOUNTABILITY**

The key responsibilities in terms of the MFMA are:

#### **Council**

- Approve borrowing during Annual Planning process.
- Approve additional new borrowing not determined during the annual planning process.
- Approve Cash Management Policy.

#### **Accounting Officer (Municipal Manager)**

- Opening and closing bank accounts
- Formally review the treasury policy at least once every 2 years.
- Delegate authority to the Chief Financial Officer (Manager : Finance)

**Manager: Finance**

- Negotiate borrowing facilities with approved lending institutions.
- Review monthly reports to monitor compliance with policy, procedures and risk limits.
- Recommend amendments to the policy and procedures to Council for approval.
- Overall responsibility for all activities relating to implementation of approved policy.
- Manage Council's relationship with financial institutions.
- Determine most appropriate source and terms and conditions of borrowing and recommend to Council for approval.

**Head: Budget Office (HBO)**

- Management responsibility for policy relating to borrowing, investment and risk management activity.
- Report treasury activities to Council on a monthly basis.

**Chief Officer: Finance (COF)**

- Responsible for keeping Head: Budget Office informed of significant policy activity and market trends.
- Review Bank reconciliations.
- Execute daily cash management, investment, borrowing and risk management activities.
- Compile daily cash position.
- Arrange all borrowing documentation and prepare authorization resolutions.
- Produce monthly reports on investment, borrowing and risk management activity.
- Complete reconciliation of treasury spreadsheet to general ledger (monthly).
- Six monthly reviews of credit ratings of banks.
- Manage Council's relationship with financial institutions.
- Ensure all borrowing has been approved by Council.

## 5. BORROWING POLICY

### 5.1 General Policy

Council borrows money by raising loans as it considers appropriate. Council approves borrowing by resolution. Projected debt levels are ascertained from detailed cashflow forecasts prepared during the Strategic and Annual Planning process.

Council raises money for the primary purpose of capital investment in assets, ie. property, plant or equipment to be used for the purpose of achieving the objectives of local government as set out in section 152 of the Constitution of South Africa.

In evaluating new borrowings (in relation to source, term, size and pricing) the Manager: Finance will take into account the following:

- 5.1.1 The size of the loan in relation to the economic life of the project.
- 5.1.2 Revenue, if any, flowing from the project.
- 5.1.3 The impact of the new debt on total debt and therefore on the borrowing limits.
- 5.1.4 Relevant margins under terms and conditions of each borrowing source.
- 5.1.5 Council's overall debt maturity profile, to avoid concentration of debt at re-issue/rollover time.
- 5.1.6 Prevailing interest rates relative to term for both stock issuance and bank borrowing and management's view of future interest rate movements.
- 5.1.7 Available terms from banks as well as stock issuance or annuity loans.
- 5.1.8 Legal documentation and financial covenants.

## 5.2 **Borrowing Limits**

In managing borrowing Council will adhere to the following limits (based on Council's latest core financial statements):

5.2.1 The maximum level of all long term external debt will not exceed 35% of total assets.

5.2.2 The gross interest and redemption expense of all external long term borrowing will not exceed 20% of total operating expenditure.

## 5.3 **Liquidity and Credit Risk Management**

Council's ability to readily raise cost effective borrowing depends on its ability to maintain a strong balance sheet as well as its ability to generate property rates and tariff income, manage its image in the money and capital market and its relationships with bankers.

To ensure funds are available on repayment of debt, maturities of investments and debt are matched through rolling cashflow forecasts, investments are maintained in liquid assets and funds are available through committed and/or uncommitted bank facilities.

## 5.4 **Security**

As a general principle, Council does not offer assets or special rates as security for general borrowing programmes, however:-

In the event of the lending institutions stipulating a requirement, Council may approve security by way of:

5.4.1 Charging a deemed rate or percentage of rates revenue; or

5.4.2 In special circumstances levy charge over one or more of the Council's assets; or

5.4.3 Offer the project to be funded by the loan(s) as security for the loan(s).

## 5.5 **Repayment**

The Council repays the capital and interest of each loan from the budget allocated to that particular loan.

## 5.6 **Contingent Liabilities**

Council may from time to time, provide financial guarantees within its legal capacity. Management ensures that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on a regular basis. Should the guarantee be called up, Council will take immediate steps to recover the money. Before granting the guarantee Council can seek to secure collateral guarantees from the organization members.

These actions will be guided by S50 of the MFMA.

## 5.7 **Foreign Currency Borrowing**

Council may not raise loans in a foreign currency.

# 6. **INVESTMENT POLICY**

## 6.1 **General Policy**

Generally Council will invest surplus funds just with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990), for terms not exceeding one year in anticipation of cashflow expectations.

From time to time, with prior Council approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the treasury regulations from time to time.

## 6.2 **Diversification**

Council will only make investments with approved institutions which has an A rating as per Appendix B.

Not more than 20% of available funds will be placed with a single institution except at the discretion of the CFO because of improved returns and excluding any investments made per Council resolution.

## 6.3 **Quotations**

At least three [3] written quotations must be obtained.

Acceptance of the above must be governed in order of priority by:

- 6.3.1 Preservation and safety of principal;
- 6.3.2 Liquidity; and
- 6.3.3 Yield
- 6.3.4 Where appropriate, match dates of repayment of maturing loans.

## 6.4 **Ownership**

All investments must be made in the name of the Council.

## 6.5 **Investment Managers**

These services can be utilised only with the prior approval of Council.

## 7. CASH MANAGEMENT POLICY

### 7.1 General Policy

It is recognised that from time to time, Council has cashflow surpluses and borrowing requirements due to daily receipts and payments.

Council maintains a daily cash position summary and a yearly cashflow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested "outside" the bank account is covered by section 6 of this policy.

### 7.2 Bank account

Council operates one primary bank and a secondary "cash" account for its day to day operational activity requirements.

All monies due to Council and due by Council emanating from Council activities must pass through this primary account.

### 7.3 Bank overdraft

7.3.1 Notwithstanding the fact that Council has a R10 000 000 approved overdraft facility with its primary banker, for possible unanticipated short-term debt, the general policy is to avoid going into overdraft.

Short-term debt is only incurred based on expected income and must be repaid within the same financial year.

7.3.2 Any short term facility requiring review must first be submitted to Council for approval.



## 8. PERFORMANCE MEASUREMENT

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

### 8.1 Borrowing:

8.1.1 Adherence to policy.

8.1.2 Unplanned overdraft costs.

8.1.3 Comparison of actual monthly and year to date costs vs. budget borrowing rate.

### 8.2 Investments:

8.2.1 Adherence to policy.

8.2.2 Timely receipt of interest income.

### 8.3 Debtors

8.3.1 Managing debtors in a manner that maintains the high rating achieved in 2003/04.

## 9. REPORTING

### 9.1 Reports

The following reports are produced:

| Report Name         | Frequency | Prepared by            | Recipient                                    |
|---------------------|-----------|------------------------|----------------------------------------------|
| Bank Balance report | Daily     | Expenditure Accountant | Chief Officer Finance                        |
| Investment          | Monthly   | Chief Officer Finance  | Head Budget Office, Finance Manager, Council |
| Debt Report         | Quarterly | Chief Officer Finance  | Head Budget Office, Manager Finance, Council |

## 10. DELEGATED AUTHORITIES & KEY INTERNAL CONTROLS

### 10.1 Delegated Authorities

| ACTIVITY                                    | RESPONSIBILITY                      |
|---------------------------------------------|-------------------------------------|
| Alter policy                                | Council (after public consultation) |
| Approve principal banker                    | Council                             |
| Open/close bank accounts                    | Municipal Manager                   |
| Cheque signatories                          | Municipal Manager                   |
| Approve new borrowing                       | Council                             |
| Arrange new loans                           | Manager: Finance                    |
| Manage investments                          | Manager: Finance                    |
| Transfers of stock (selling of investments) | Manager: Finance                    |
| Register new debt issues                    | Manager: Finance                    |

### 10.2 Key Internal Controls

Sound treasury procedures with appropriate controls are required to minimize risks the Council may experience through unauthorized treasury activity or unintentional error. The following key internal controls are adhered to: (taking cognizance of requirements of Auditor General, Internal Audit and Audit Committee).

#### 10.2.1 Organisational Controls

- Manager: Finance has responsibility for establishing appropriate structures, procedures and controls to support borrowing, investment cash management and risk management activity.
- All borrowing, investment, cash management and risk management activity is undertaken in accordance with approved delegations.

#### ***Cheque/Electronic Banking Signatories***

- Approved by Municipal Manager.
- Dual signatures are required for all cheques and electronic transfers (at least one primary signature).
- Cheques must be in the name of the counterparty crossed “Not Transferable” via the Council bank account except the “Cash” account which must always be at minimum levels.
- No cash cheques may be issued except with the approval of the CFO.

- Cash floats may be utilized. The level of the float may not exceed R1 000 and will be decided upon by the relevant manager in conjunction with the Manager: Finance

### ***Authorised Personnel***

- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

### **10.2.2 Borrowing**

In addition to the controls listed under Section 10.2.1, the following controls apply to borrowing:

- Borrowing activity is undertaken within the borrowing limits specified in Section 5 of the policy.

### **10.2.3 Investments**

In addition to the controls listed under Section 10.2.1, the following controls apply to investments:

- Investment activity is undertaken within limits specified in Section 7 of the policy.
- All deliverable certificates of investments for example, bank bills are to be held in safe custody.

## **11. Public Participation**

All borrowing and investments exceeding a term of [1] one year must be advertised in the local press to promote transparency and the public participation process.

## **12. Review**

This Policy will be reviewed by the Chief Financial Officer at least once every two years.

**APPROVED INSTITUTIONS****Bank Ratings**

| <b>Banking Institution</b>        | <b>Long-term</b> |
|-----------------------------------|------------------|
| ABSA Bank Ltd                     | AA               |
| Development Bank of SA            | AAA              |
| Firststrand Bank Ltd              | AA               |
| Gensec Bank Ltd                   | A                |
| Imperial Bank Ltd                 | A+               |
| Investec Bank Ltd                 | A+               |
| Land and Agricultural Bank of SA  | AA-              |
| Nedbank Ltd                       | AA-              |
| Standard Bank of South Africa Ltd | AA               |
| South African Bank of Athens      | A+               |

**1. Long-term ratings**

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

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

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

# MATJHABENG LOCAL MUNICIPALITY



## TARIFF POLICY

**TABLE OF CONTENTS**

|       |                                                                    |    |
|-------|--------------------------------------------------------------------|----|
| 1.    | Foreword.....                                                      | 3  |
| 2.    | Definitions .....                                                  | 4  |
| 3.    | Introduction .....                                                 | 5  |
| 4.    | Objective.....                                                     | 5  |
| 5.    | Principles .....                                                   | 5  |
| 6.    | Classification and Pricing Strategies of Services .....            | 7  |
| 6.1   | Trading Services .....                                             | 7  |
| 6.2   | Rates and General Services.....                                    | 8  |
| 6.2.1 | Economic Service.....                                              | 8  |
| 6.2.2 | Subsidised Services .....                                          | 9  |
| 6.2.3 | Community Services .....                                           | 10 |
| 6.3   | Housing and Hostel Services .....                                  | 10 |
| 7.    | Policy Proposal .....                                              | 12 |
| 7.1   | A minimum amount of basic services must be free .....              | 12 |
| 7.2   | Keeping Tariffs Affordable.....                                    | 12 |
| 7.3   | Redistribution / Cross Subsidization.....                          | 13 |
| 7.4   | Promoting Local and Economic Competitiveness and Development ..... | 13 |
| 7.5   | Ensuring Financial Sustainability of Service Delivery .....        | 13 |
| 7.6   | Indigents.....                                                     | 13 |
| 8.    | Tariff Determination Process.....                                  | 14 |

**1. Foreword**

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA). In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

## 2. Definitions

In this policy:

**“municipal area”** means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

**“municipal council”** means a municipal council referred to in section 157 of the Constitution and for this by-law includes a municipal local council and a municipal district council, as the case maybe;

**“poor households”** means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it;

Also means those households in the municipal area living in property with a municipal property valuation under R30 000 and earn less than R1880 per month.

**“tariff policy”** means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);

**“the Act”** means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA).



### 3. Introduction

One of the primary functions of a local authority is to provide services to the people resident within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidize other non-economical services.

### 4. Objective

The objective of the tariff policy is to ensure that:

- 4.1 The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.
- 4.2 The Municipal services are financially sustainable, affordable and equitable.
- 4.3 The needs of the indigent, aged and disabled are taken into consideration.
- 4.4 There is consistency in how the tariffs are applied throughout the municipality and;
- 4.5 The policy is drawn in line with the principles as outlined in the MSA
- 4.6 To ensure that the municipality, in levying of fees for services provided shall at all times take into cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs have on local economic development.

### 5. Principles

**In terms of S74 (2) of the Municipal Systems Act of the following principles should at least be taken into account when formulating a Tariff Policy,**

- 5.1 The users of municipal services should be treated equitably in the application of tariffs.
- 5.2 As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- 5.3 All households, with the exception of the poor (indigent), should pay the full costs of services consumed. Poor households must have **access to at least a minimum** level of basic services through:
  - 5.3.1 Tariffs that cover the operating and maintenance costs,
  - 5.3.2 Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or
  - 5.3.3 Any other direct or indirect method of subsidization of tariff for poor households.

5.4 Tariff must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.

5.5 Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned.

5.6 Provision may be made in appropriate circumstance for a surcharge on the tariff for a service.

5.7 Provision may be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users.

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

5.9 The extent of subsidization of the poor households and other categories of users should be fully disclosed.

5.10 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region for the following four major services;

- Electricity, Water, Sewerage and Refuse

5.11 The municipality differentiates between the following categories of users with regard to tariffs which it levies;

- Residential, Business, Industrial and Government consumers

5.12 Matjhabeng has adopted two -part tariff structure, namely;

- monthly availability charges for the above services.
- monthly charge based on consumption

In terms of S74 (3) of the MSA a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section, Section 75 (1) of the MSA provides for the municipal council to adopt bylaws.

## **6. Classification and Pricing Strategies of Services**

There are basically two categories of municipal services (i.e. trading, rate and general services) which are discussed as follows:

- In determining the tariffs which must be charged for supply of services, the municipality identifies all costs of operation of undertakings concerned, including the following; Costs of bulk purchases, distribution costs, losses, depreciation, maintenance of fixed assets, administration and service costs, costs of approved indigency relief measure and intended surplus.
- The tariffs levied for domestic water consumption shall escalate according to the volume of water consumed.

- Tariffs for non-domestic water consumption shall be based on each kilo liter consumed, irrespective of the volume of consumption concerned.
- Tariffs for pre-paid meters shall be the same as ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied.

### **6.1 Trading Services**

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised. Examples of these services include water and electricity. The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose full costs includes:-

- Direct operating costs e.g. Salaries, allowances including overtime, materials used, repairs and maintenance, general expenses and plant and vehicle hire.
- Depreciation / capital charges based on usage, life of buildings, plant and equipment and infrastructure used.
- Financing outlays which include loan service costs.
- Allocated costs that include costs allocated through support services.

#### **Electricity Tariffs**

- The following categories of electricity consumers will be charged applicable tariffs as approved by Council in each financial year and implemented as soon as the NERSA approval has been obtained;
- Vacant stands shall liable to pay an availability charge for all services.
- All indigent domestic consumers of electricity receive the first 50kw/h free
- All commercial, industrial, and other non-domestic properties shall additionally be billed a monthly basic charge per separate business and where applicable, demand charge appropriate to their respective levels of consumption. The owner of the erf on which such charges is raised will be liable to pay the charges levied for each individual business. Tenants will only be liable for consumption charges.
- Municipality's departmental electricity consumption will be charged at cost or as been approved by the NERSA.

### **Water Tariffs**

- The following categories of water consumers will be charged applicable tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Tariff for domestic consumption shall be charged for actual water consumed at a stepped tariff per kilo liter as determined by Council, except for registered indigents.
- Tariffs for non-domestic water consumption shall be based on each kilo liter consumed, irrespective of the volume of consumption concerned.
- A monthly availability charge per meter installed/business, as determined by Council, shall be charged on all water consumers (except for registered indigents). The owner of the erf on which such charges is raised will be liable to pay the charges levied for each individual business. Tenants will only be liable for consumption charges.
- Municipality's departmental water consumption will be charged at cost.

## **6.2 Rates and General Services**

This service is further classified into 3 categories i.e. economic, subsidized and community services.

### **6.2.1 Economic Service**

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit e.g. trade effluent includes commercial and industrial refuse removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:-

- Full cost of providing the serviced as explained in 6.1 above.
- The rate per unit is based on projected usage.

### **6.2.2 Subsidised Services**

These are services for which tariffs are fixed in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but will also other persons benefit. Therefore, user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include firefighting, approval of building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions.

**Refuse Removal Tariffs**

- The following categories of refuse removal users will be charged applicable fixed monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Domestic and other users (once weekly removal).
- Business and other users (twice weekly removal)
- Business and other users (thrice weekly removal)
- Business and other users (bulk removals)
- Municipality's monthly departmental charge shall be equal to the lowest tariff.
- The owners of erf will be liable to pay for the charges of each individual unit.

**Sewerage Tariffs**

- The following categories of sewerage users will be charged applicable monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- A monthly basic (availability) charge shall be charged on undeveloped erf (vacant stand), irrespective of their permitted or intend of use.
- Monthly charges shall be charged for domestic users on percentage of water consumed.
- A fee shall be payable by factories and other industrial users where waste water emanating from such users requires special purification.
- Municipality's monthly departmental charge shall be equal to the lowest tariff.
- The owners of erf will be liable to pay for the charges of each individual unit.

**6.2.3 Community Services**

Community services are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates.

These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

In addition to the above services domestic refuse and sewage removal is also a community service provided directly to all the residents and for which costs form part of a balanced budget. The Municipality also provides support services such as committee services,

records and archives, financial management accounting and stores, occupational health and human resources management, which are financed through property rates.

### ***6.3 Housing and Hostel Services***

These are usually grouped into three categories, namely, letting schemes, selling schemes and hostels. All income and expenditure transactions in respect of such schemes fall into this category and the objective of the service is to be economic i.e. the operating income should cover the operating expenditure. Rentals shall be market related in line with MFMA. In addition other functions are being carried out on an agency basis as these are not deemed as Local Government functions.

#### **Minor Tariffs**

- The following minor services will be charged applicable monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Minor services where tariffs levied shall cover 100% or as near as possible to 100% of the annual operating expenses, namely;
  - Maintenance of graves
  - Miscellaneous services
  - Housing rentals
  - Rental for use of municipal halls
  - Rental of municipal sporting fields
  - Rental of municipal facilities
  - Swimming pools
  - Building plan fees
  - Sales of plastic refuse bags
  - Cleaning of stands
  - New connection fees (Electricity, Water and Sewerage)
  - Sales of livestock and plants
  - Photostat copies and fees
  - Clearance certificates
  - Burials and cemeteries
  - Fire & Rescue services
- Minor services where no tariffs shall be levied for their use, namely;
  - Municipal museum
  - Municipal lending library (except for fines)
  - Municipal parks and open spaces
- The following charges shall be considered as regulatory or punitive;
  - Fine for lost or overdue library books
  - Advertising sign fees
  - Pound fees
  - Electricity disconnection and reconnection fees

- Penalty and charges imposed in terms of debt collection policy
- Penalty for dishonored and unacceptable cheques
- Fines and penalties for littering and other offences

## **7. Policy Proposal**

### ***7.1 A minimum amount of basic services must be free***

The Municipality subscribes to the policy that all poor households are entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. These services include:

- Potable water
- Domestic wastewater and sewage removal
- Domestic refuse removal
- Electricity, and

The Council is aware that it currently provide these services to all residents within its municipal area. It is also aware that, more than likely, some of the services it currently provides in conjunction with the abovementioned services, may be transferred or assigned to other bodies. In the latter case, the Council commits itself to make representations and negotiate with those service providers to achieve its goal. The Council realizes that in order to achieve its goal, a minimum amount of basic services should be free to the poor, whilst tariffs for services above the minimum level of consumption will have to be increased. These increases are necessary to make good any shortfall resulting from free services and to ensure a balanced budget on the trading account. In order to ensure affordable services, the Council will introduce a stepped tariff structure in which consumers that use more of a service will pay progressively more for the higher consumption than those who consume less of a service.

### ***7.2 Keeping Tariffs Affordable***

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. The Council is also aware that due to historical reasons many residents receive services at a level higher than what they can afford. In order to remain affordable the Council will ensure that:

- Services are delivered at an appropriate level,
- Efficiency improvements are actively pursued across the Municipality's operations,
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used,
- Any non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contributes to the quality of life of people in our area, and;
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it. If this requires the Municipality to maintain significant infrastructure and other facilities, they should be phased out, except where the Council is by law required to provide such a service.

### ***7.3 Redistribution / Cross Subsidization***

It is a fact that some members of the community are better able to afford to pay for the services that they use and have the benefit of, than others. The budget of the Municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidize those who pay less tax. The Council uses the trading surplus it realises on the trading account to bring relief with regard to property tax rates. Likewise the Council will ensure that the cross subsidization occurs between and within services to further contribute to its redistribution objectives.

### ***7.4 Promoting Local and Economic Competitiveness and Development***

The size of the property rates and service charges accounts presented to the local businesses, is a significant business overhead for any business enterprise in the Municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal accounts presented to local businesses are fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

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

### ***7.5 Ensuring Financial Sustainability of Service Delivery***

The Constitution, Local Government Municipal Systems Act, 2000 and Water Services Act of 1997 requires that the Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of the municipality will be achieved when it is financed in a manner that ensures that it exhibits, at least, a break-even position. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are fully recovered.

### ***7.6 Indigents***

The indigent assistance scheme will apply to tariffs set by the Council. This is laid out in Municipality's Indigent Policy. With regards to customer service agreements, deposits and guarantees, accounts and billing, and all other items pertaining to credit control and debt collection, related to tariffs, reference must be made to the Credit Control and Debt Collection Policy. No indigent person shall be allowed to rent Municipal flat or hostel.

## **8. Tariff Determination Process**

Except in special circumstances, such as significant increases in the Consumer Price Index, the council will review its tariffs during the preparation of the annual budget in accordance



with the policy stated above. Proposed tariffs will be presented to the community during Councils consultation process about the budget.

In terms of Section 75 (A) of the MSA Amendment Act 51/2002, a municipality may operate such;

- That it can levy and recover fees, charges or tariffs in respect of any function or service of the municipality,
- That fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members.
- The proposed tariffs will be presented to the community during Council's consultations process about the budget.

The annual tariffs per service should be compared to the activity based costing results, to view the profitability per service and level of cross subsidization. The goal should be to, where possible, provide a cost-reflective service charge.

Immediately after the Council has determined or amended a tariff, the municipal manager must cause to be conspicuously displayed at a place installed for this purpose at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine, a notice.

The notice must state:

- The general purpose of the resolution,
- The date on which the determination or amendment comes into operation, which date may not be earlier than 30 days after the determination or amendment,
- The date on which the notice is displayed,
- That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed, and
- That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice, will assist that person to transcribe her / his objection.

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

Where an objection is lodged, the Municipality will consider every objection.

The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment or may determine another tariff, on the date on which the determination or amendment will come into operation.

After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

# MATJHABENG MUNICIPALITY



## CREDIT CONTROL AND DEBT COLLECTION POLICY

2018/19  
CONTENTS

|     | Description                                                             | Page |
|-----|-------------------------------------------------------------------------|------|
| 1.  | Scope of the Policy                                                     | 3    |
| 2.  | Objective of the Policy                                                 | 3    |
| 3.  | Definitions                                                             | 4    |
| 4.  | Principles                                                              | 6    |
| 5.  | Discretion: Negotiations                                                | 8    |
| 6   | Duties and functions                                                    | 8    |
| 7.  | Credit Control                                                          | 10   |
| 8.  | Rates and taxes, payment of services rendered, electricity and/or water | 11   |
| 9.  | Provisions regarding fixed property belonging to Council                | 14   |
| 10. | Payment of Rental                                                       | 14   |
| 11. | Arrangements – General Principles                                       | 15   |
| 12. | Disputes                                                                | 16   |
| 13. | Irrecoverable debt                                                      | 17   |
| 14. | Staff and Councillors Arrears                                           | 18   |
| 15. | Full and Final Settlements                                              | 19   |
| 16. | Amounts for Full and Final Settlements                                  | 19   |
| 17. | Approvals for Write Offs                                                | 19   |

## 1. SCOPE OF THE POLICY

- 1.1 This Policy applies to all administrations within the defined boundaries of the Matjhabeng Municipality and all the debtors of these administrations.
- 1.2 This policy shall be enshrined in a Municipal by-law in terms of the Local Government: Municipal Systems Act No 32 of 2000 and that such Policy will be binding on the public, officials and Councillors of the Matjhabeng Municipality and that no interference in the process will be permitted.
- 1.3 The policy is applicable until such time as it is reviewed and such revisions to the policy be approved by Council.

## 2. OBJECTIVE OF THE POLICY

**Section 96 of the Local Government Municipal Systems Act requires that the municipality must adopt, maintain and implement a credit and debt collection policy. The responsibility for the credit control/debt collection policy lies with the Municipal Manager as effected by section 99 of the Systems Act. Sect 100 of the Systems Act states that the Municipal Manager must implement and enforce the municipalities' credit control and debt collection policy. In terms of Section 99 the Executive Mayor has the supervisory authority to oversee and monitor the implementation and enforcement of the credit control and debt collection policy, and the performance of the Municipal Manager towards implementing the policy. Therefore the Executive Mayor must ensure that a report is submitted to Council at least every quarter.**

The objective of this policy is to:

- 2.1 Focus on all outstanding debt as reflected on the customers' accounts.
- 2.2 Provide for a common credit control, debt collection and indigent policy throughout the Matjhabeng Municipality.
- 2.3 Facilitate implementation throughout the municipal area.
- 2.4 Promote a culture of good payment habits and instil a sense of responsibility towards the payment of municipal accounts and reducing debt in order to satisfy the constitutional obligation of the Council (i.e. service delivery).
- 2.5 Collect as much of the debt in the shortest possible time without any interference in the process.
- 2.6 Effectively deal with defaulters in accordance with the terms and conditions of the policy.

### 3 DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time, except where clearly indicated otherwise. In addition, the following words and phrases shall have the following meanings:

|                               |                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"Account"</b>              | any account rendered for municipal taxes, services and other charges. This includes charges raised as a result of damages to Municipal property.                                                                                                                                                                                                                              |
| <b>"The Act"</b>              | the Local Government: Municipal Systems Act, 2000(Act No. 32 of 2000) as amended from time to time.                                                                                                                                                                                                                                                                           |
| <b>"arrears"</b>              | any amount due, owing and payable in respect of municipal services not paid by due date.                                                                                                                                                                                                                                                                                      |
| <b>"CFO"</b>                  | the Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                  |
| <b>"Consolidated Account"</b> | a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Act                                                                                                                                                                       |
| <b>"Credit Authority"</b>     | any arrangement made by agreement between the Municipality and a customer, for the payment of any arrears, in instalments, whatever the form of such arrangement might be, whether in the form of an acknowledgement of debt, or in correspondence, provided that such arrangement is recorded in writing and signed on behalf of the Municipality by an authorized official. |
| <b>"Customer"</b>             | Any person liable to the Municipality for taxation or other charges.                                                                                                                                                                                                                                                                                                          |
| <b>"Defaulter"</b>            | any customer in arrears.                                                                                                                                                                                                                                                                                                                                                      |
| <b>Flow restrictor"</b>       | a washer which is installed in the water connection which allows a daily consumption of approximately 360 litres in a six hour period but at an extremely low flow rate.                                                                                                                                                                                                      |
| <b>"flow limiter"</b>         | an electronic device which allows for a normal flow rate but restricts the daily volume to a preset amount of 300 litres per day.                                                                                                                                                                                                                                             |
| <b>"Illegal connection"</b>   | Any connection to any system through which the municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.                                                                                                                                                                                                              |

|                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“Leak period”</b>                                                                                                                                                                                                           | the metering period immediately prior to the date of repair of the leak and the metering period during which the leak is repaired. Each of these two periods will not exceed 65 days.                                                                                                              |
| <b>“Metering period”</b>                                                                                                                                                                                                       | the time interval between two successive billed meter readings but shall exclude previous leak periods.                                                                                                                                                                                            |
| <b>“MPRA”</b>                                                                                                                                                                                                                  | the Local Government: Municipal Property Rates Act 6 of 2004.                                                                                                                                                                                                                                      |
| <b>“MSA”</b>                                                                                                                                                                                                                   | the Local Government: Municipal Systems Act 32 of 2000                                                                                                                                                                                                                                             |
| <b>"Owner"</b>                                                                                                                                                                                                                 | the person defined as such in the Municipality’s Rates Policy                                                                                                                                                                                                                                      |
| <b>“Prescribed form”</b>                                                                                                                                                                                                       | refers to the form required by the Chief Financial Officer from time to time.                                                                                                                                                                                                                      |
| <b>“Rates”</b>                                                                                                                                                                                                                 | municipal tax levied on the valuation of property. The rate is expressed as cents in the rand.                                                                                                                                                                                                     |
| <b>“Revenue clearance Certificate</b>                                                                                                                                                                                          | a certificate of the kind referred to in Section 118(1) of the Act.                                                                                                                                                                                                                                |
| <b>“social housing tenant”</b>                                                                                                                                                                                                 | any person renting any residential premises from any public legal body for less than a full rack rental or renting residential premises from a private person and receiving from the National / Provincial Government a subsidy or other amount to empower the tenant to pay the full rack rental. |
| <b>“Sundry charges”</b>                                                                                                                                                                                                        | a charge to a customer, not directly linked to a property, and includes charges arising from damage to Municipal property and equipment.                                                                                                                                                           |
| <b>“80/20 pre-payment debt recover”</b><br>This<br>arrears.                                                                                                                                                                    | means a pre-payment system whereby 20% of payment is allocated to arrears and 80% is allocated to the purchase of electricity. This provision excludes Municipal employees and Councillors’ arrears.                                                                                               |
| <b>"Billing"</b> refers to the process of charging for services provided by issuing accounts.                                                                                                                                  |                                                                                                                                                                                                                                                                                                    |
| <b>“Credit control”</b> refers to where certain basic credit worthiness checks must be completed prior to a municipal service being provided and deposits collected.                                                           |                                                                                                                                                                                                                                                                                                    |
| <b>"Debt collection"</b> refers to the debt recovery process and includes sanctions (warning, disconnection, adverse credit rating, legal process and/or eviction, etc) to be applied in the event of non-payment of accounts. |                                                                                                                                                                                                                                                                                                    |

**"Disconnection"** means interrupting the supply of water or electricity to a debtor as a consequence of ignoring a Final Demand for payment.

**"Due date"** refers to the final date of payment as shown on the account.

**"Effective" disconnection** means the physical removal of pipes and/or equipment as a consequence of unauthorised reconnection (tampering) of the disconnected service as described in 3.4.

**"Financial year"** means the period as defined in legislation.

**"Holistic"** refers to the combining of all debt in order to establish the total obligation the debtor has to Council.

**"Interest"** will be charged on all overdue accounts based on a full month and proportional of a period outstanding as at such a rate as prescribed from time to time.

**"Municipality"** refers to all administrations within the area of Matjhabeng as created by the Municipal Systems Act.

**"Parked arrears"** refers to those monies that were capitalized.

**"Supply"** means any metered supply of water, electricity or any other service supplied by the Council.

## 4 PRINCIPLES

This policy supports the following principles:

4.1 Human dignity must be upheld at all times.

**4.2 Residential- the Municipality will endeavour to register owners only for services on their properties**

**4.2.1 The owner will stay responsible and liable for all the debt relating to the property**

**4.2.2 Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default**

**Business– the Municipality will not continue to register tenants for services.**

4.2.2 Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default

4.2.3 Government– The respective Government Departments shall be held liable for the debts on their property.

4.2.4 Sundry Accounts - The customer must provide the Municipality with a Municipal account number or rate account number. If the customer does not

have an existing Municipal account, then a new account must be created.

- 4.2.5 **The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the Municipality, into one consolidated account.**
- 4.2.6 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the Chief Financial Officer has been produced in each instance.
- 4.2.7 If there is an outstanding debt on the property, this debt must be settled in full or suitable payment arrangements must be made by the owner of the property, before any customer/owner is registered for services.
- 4.2.8 Customer/owner who fails to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.
- 4.2.9 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer/owner to advise the Municipality of such change.
- 4.3 The policy must be implemented with equity, fairness and consistency.
- 4.4 All particulars related to debtors and their accounts must be correct at all times.
- 4.5 Debtors and arrangements to repay debtors shall be treated historically, but different repayment periods may be determined for different types of service, debtors or areas with a general rule that repayment periods should be in accordance with the instalments that the debtors can afford.
- 4.6 The implementation of this policy shall be based on sound business practices. This includes credit worthiness checks when new application for service is made.
- 4.7 New services will only be provided if there is a clearance certificate indicating all amounts due in respect of municipal services, surcharge on fees, property rates and other municipal taxes, levies and duties at the customer's previous address, if applicable.
- 4.8 The policy must be supported by a comprehensive communication and education strategy.
- 4.9 Where alternatives are available Council may provide reduced levels of service to manage the debt growth.
- 4.10 Debtor's may be referred to debt collection institutions and may be placed on the National Credit Rating list.
- 4.11 All cost incurred by Council including collection fees, attorney's fees and client fees relating the collection process shall be deemed to be tariff charges and shall be recovered from debtors.



- 4.12 Interest charged on overdue accounts will start on due date and shall be calculated until payment is made. The interest charged may appear in the following month's account.

The implementation of the credit control and debt collection policy may be applicable to the total outstanding account/s of a debtor and not selective accounts and it will not reverse any prior policy decision before this one.

## **5. DISCRETION: NEGOTIATIONS**

- 5.1 At all times and at every level, discretion will be used by the authorised official to implement the principles embodied within this policy and to ensure that reasonable payment is negotiated with any debtor.
- 5.2 The most financially beneficial arrangement to Council must at all times be negotiated. A tenant will not be able to make an arrangement without the owner signing consent.
- 5.3 The officials negotiating any arrangement will be subject to the authority of the duly appointed financial or legal manager and/or other authorised official on behalf of the council who may or may not accept such an arrangement.

## **6 DUTIES AND FUNCTIONS**

### **6.1 Duties and Functions of Council**

- To approve a budget consistent with the needs of communities, ratepayers and residents in line with the financial capability of Council.
- To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- To facilitate sufficient funds to give access to basic services for the poor.
- To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the implementing authority.
- To approve a reporting framework for credit control and debt collection.
- To consider and approve bylaws to give effect to the Council's policy.
- To monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- To revise the budget should Council's targets for credit control and debt collection not be met.
- To take disciplinary and/or legal action against councillors, officials and agents who do not execute Council policies and bylaws, or act improperly in terms of such policies.
- To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.

- To 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.
- To provide sufficient capacity in the municipality's Finance Department for credit control and debt collection. Alternatively to appoint a Service Provider as debt collection agent (such service provider must be a registered debt collection agent in terms of legislation).
- To assist the Municipal Manager in the execution of his duties, if and when required.
- To provide funds for the training of staff.

## **6.2 Duties and Functions of the Mayor, or Executive Committee**

- To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant bylaws.
- To monitor the performance of the Municipal Manager in implementing the policy and bylaws.
- To review and evaluate the policy and bylaws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- To report to Council.

## **6.3 Duties and Functions of Ward Councillors**

- To hold regular ward meetings wherein the Credit Control and Debt Collection policy and procedures of Council are addressed.
- To adhere to and convey council policies to resident and ratepayers and in particular the credit control and debt collection policy and procedure.
- To adhere to the Code of Conduct for Councillors.
- To act in terms of roles and functions as approved by Council and assist in the dissemination and distribution of information.

## **6.4 Responsibilities of all councillors**

- To always pay amounts that are owed in respect municipal rates, taxes and services as required by section 12A of Schedule 1 of the Municipal Systems Act and not to default on payments for a period longer than 3 months.
- The municipality may deduct any outstanding amounts from a councillor's allowance, if the councillor has not paid amounts that are due to the municipality for more than 3 months.
- The normal credit control procedures shall also apply to any arrear account of a councillor.

- All agreements with Councillors must not exceed the expiry date of the term of office.

### **6.5 Duties and Functions of the Municipal Manager**

The Municipal Manager, as the accounting officer of the municipality, must take all reasonable steps to ensure that –

- the municipality has effective revenue collection systems consistent with Section 95 of the Act and the Municipality's Credit Control and Debt Collection bylaws and the National Credit Act;
- revenue due to the municipality is calculated on a monthly basis;
- accounts for municipal tax and charges for municipal services are prepared on a monthly basis;
- all money received is promptly deposited into the municipality's primary and other bank accounts;
- the municipality has and maintains a management, accounting and information system which recognizes revenue when it is earned; accounts for debtors; and accounts for receipts of revenue;
- the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
- the municipality charges interest and other permissible charges on arrears, except where the Council has granted exemptions.
- All revenue received by the municipality, including revenue received by any collection agent on its behalf, is reconciled regularly;
- The accounting officer must immediately inform the National Treasury of any payments due by an organ of State to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

### **6.6 Responsibilities of all municipal staff**

- To always pay amounts that are owed in respect of municipal rates, taxes and services and not to default on payments for a period longer than 3 months.
- The municipality may deduct any outstanding amounts from a staff member, if the staff member has not paid amounts that are due to the municipality for more than 3 months.
- The normal credit control procedures shall also apply to any arrear account of a councillor.
- Where the municipality provides temporary employment to members of the community who are in arrears with payments for municipal rates and services they will be required to enter an agreement to pay 20% of their gross remuneration towards these arrears of debt.

### **6.7 Duties and Functions of Communities, Ratepayers and Residents**

The responsibilities of communities, ratepayers and residents are to

- pay deposits, service fees, rates on property and other taxes, levies and duties imposed by the municipality;
- observe the mechanisms and processes of the municipality in exercising their rights;
- allow municipal officials reasonable access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials;
- comply with the bylaws and other applicable legislation;
- Refrain from tampering with municipal services and property.

## 7 CREDIT CONTROL

- 7.1 All new applications for the provision of any service will be subjected to the payment of a deposit and completion of the standard prescribed form.

The Council may from time to time review the deposit to be paid by the consumers in terms of this section and, in accordance with such review;

- (a) require that an additional amount be deposited by consumer; or
- (b) credit the account of consumer with such amount as may be held by the municipality in excess of the review deposit.

The municipality shall give the owner or the occupier of the premises where municipal services are rendered reasonable notice of any increase of the deposit.

- 7.2 The Council may determine due to the debtor's municipal payment record or any other credit information of any applicant that an adjustment to the basic deposit be made.

- 7.3 The application form makes provision for submission of board resolutions delegating authority to the applicant on behalf of any business and all other information required, as well as the commitment by any member, partner, trustee, director or wherever applicable to sign as surety in their individual capacity in the case of non-payment of municipal accounts by any principal on whose behalf the applicant is acting.

- 7.4 It is the responsibility of all consumers to ensure that he/she/it receives a monthly account, and if no account is received, the consumer should contact the municipal offices in his/her or its area to obtain such an account or amount, whether telephonically or in person, to be paid not later than the due date.

- 7.5 Should any person, business or other entity be in arrears with any services owing to the municipality tenders for delivery of any service or goods to the municipality, such tender will not be considered until all arrear debts owing to the municipality are liquidated.
- 7.6 Sequestration or liquidation procedures may be instituted where statutory acts of insolvency are committed.
- 7.7 However, special arrangement for payment of accounts in arrears for businesses or non-residential consumers may be entered into, subject to the provisions of paragraph 6.5 above.
- 7.8 Deposits will be payable by all applicants, except those who are exempted from doing so by any relevant act or ordinance applicable and to which provisions the local Government/municipality's authority is subjected to.
- 7.9 No Councillor or Council employee will be allowed to fall in arrears on services or rates account, should this happen such Councillors or employees will be dealt with in terms of the applicable section of the Municipal Systems Act.

## **8 RATES AND TAXES, PAYMENT OF SERVICES RENDERED, ELECTRICITY AND/OR WATER**

- 8.1 The Council will regulate through its officials the procedure to be followed for collecting all debt due as set out in the heading hereof, but in general the following procedure is to be followed:
- 8.1.1 Interest will be charged on all overdue accounts at an interest rate which shall be Determined by the Council from time to time, taking into consideration the provisions of the Usury Act, or any bylaw in existence in which this credit policy and debt collecting policy is to be embodied.
- 8.1.2 Should any account not be paid by due date a final demand for payment within **7 (seven)** days will be issued and delivered by hand to the domicilium citandi et executandi address of the debtor.

Should there be no response, the officials will discontinue or reduce the level of services rendered, subject however to any policy or act of Parliament and also in terms of the indigent policy of Council applicable.

8.1.3 The letter of demand shall warn in all four official languages of the Matjhabeng Municipality of the possible disconnections if payment is not received by due date.

8.1.5 After disconnecting services the officials involved will immediately either issue summons

and follow the legal process, or will instruct reputable attorneys with proven records of successful collection record to collect all arrears, subject to the following:

- a) A sale in execution is to be avoided or only taken as a last resort and the Council's instructions in this regard has to be obtained and the Council hereby authorise and delegate these powers to the relevant officials.
- b) The provisions of principles of human dignity as expressed in paragraph 4 above, shall also be applicable and the attorneys instructed should undertake to adhere to these principles.

In the alternative, if any debtor makes arrangements with the municipalities officials and if the arrangements are acceptable, the following will apply:

- a) Interest will be charged as previously stated;
- b) In the event of an annual payer, arrangements may be made to pay current and future rates monthly;
- c) The principal of obtaining the best financial benefits to the Council should apply;
- d) The arrangement will be called "Parked Arrears" as in terms of the definition thereof and interest will be raised on parked arrears in terms of Council's policy on interest, unless otherwise decided.

8.1.6 With regard to discontinuing services, the following procedure will be followed and strictly adhered to:

- a) The notice must be left at the property of the debtor, advising that the supply has been disconnected and that all electric points should be considered live and water outlets should be closed so that damage is not caused.
- b) The notice will also advise that the supply will only be reconnected after the amount specified on the notice has been paid or adequate arrangements be concluded.
- c) The notice must also warn about the consequences of unauthorised reconnection.
- d) Should any services be reconnected, this will be done as soon as possible after payment is received or arrangements made in terms of the arrangements referred to above.
- e) The notice should also advise the debtor that the unauthorised reconnection of a service supply is a criminal offence, and will result in legal action being taken. In this event the water or electricity supply will be so effectively disconnected that it

cannot be reconnected. Any reconnection will be considered as a new application for services and the installation costs as determined by Council plus the full amount of the arrears and any unauthorised consumption will have to be paid before reconnection. The installation costs will also be considered as payable before reconnection, which costs will be determined by Council from time to time.

- f) However, under exceptional circumstances, adequate arrangements made for payment may in the discretion of the authorised officials be accepted based on merits and in terms of all principles regarding and applicable to this credit policy.

8.1.7 In the Council's discretion, the Council will encourage the installation of energy dispensers at all times, but the policy will be that debtors whose electricity and/or water supply have been disconnected three times because of non-payment, will be compelled to install such a dispenser at own expense before the supply is reconnected, and they should also prove that arrangements for payment of debts and arrears have been made and accepted. It is also to be demanded that 25% of the value of units purchased for electricity or water may be allocated towards the payment of any municipal arrears of any nature.

8.1.8 Dishonoured payments by cheque or otherwise regarding payments for rates, general services, other services or payment of fines such as traffic fines etc. Any dishonoured cheque or other negotiable instrument will be handled as follows:

- a) If the drawer of the cheque is an existing debtor of the Council in terms of the application form, bank costs will be debited to the account of the debtor. Debtor will be informed of the dishonoured payment by telephone, fax or personal visit with a letter of notification.
- b) Should the amount not be paid together with the bank costs within three (3) days, Council will reserve the right to discontinue services forthwith.
- c) Council may also refuse to accept any further cheques from the debtor.
- d) Council may also institute criminal charges against the offender if so elected notwithstanding any other action.
- e) Should the drawer of the cheque not be an existing debtor of Council, the debtor self will be held liable for the dishonoured payment and the same cause of action as set out above will be applied.
- f) Council will also be empowered to so-called blacklisting the debtor and the drawer of any cheque or other negotiable instrument.
- g) The general provisions regarding interest, payment of attorney client fees, collection commission etc. will also be applicable should the matter in the normal cause of action be handed to attorneys for collection.

## **9 PROVISIONS REGARDING FIXED PROPERTY BELONGING TO COUNCIL**

The following provisions will be applicable to leases, including rental Schemes and Home-Ownership Arrangements, including failure to pay the Council's bonds granted to employees of the municipality.

### **9.1 GENERAL PRINCIPLES**

It is noted that the following situations may occur:

- 9.1.1 Council leases property to the Council officials or members of the public.
- 9.1.2 The Council sells property to the Council's personnel or members of the public where applicable.
- 9.1.3 The Council provides bonds in order to finance the selling of property.
- 9.1.4 The Council does not provide finance through bonds to the purchaser of Council property.

### **9.2 THE FOLLOWING GENERAL PRINCIPLES WILL APPLY**

- 9.2.1 Officials of Council will ensure that proper contracts are in place in terms of existing laws to be revised in terms of the provisions and amendments to laws through legal advisors or attorneys.
- 9.2.2 All bonds will be duly registered by attorneys appointed by Council.
- 9.2.3 Should any property be sold by means of –

a Sale of Land in terms of Instalments Act, it is necessary for registration against the title deed of such a property to be registered by attorneys appointed by Council. The contract will also be drafted in accordance with the provisions of the said Act.

- 9.2.4 Leases will be drafted and entered into in terms of the applicable Housing Rental Act and the Council's officials will also see to it that all provisions of the said Act be complied with.

## **10 PAYMENT OF RENTAL**

- 10.1 Should any debtor fail to make payment and do not enter into negotiations with the Council for re-scheduling or re-payment of arrears, the bond may be called up or the necessary steps may be instituted to collect arrear rentals and/or arrear bond payments and necessary steps in terms of the Act for the Prevention of Illegal Eviction, No 19 of 1998, might be enforced through legal action.



- 10.2 Should negotiations for re-scheduling of payments be successful, it will include payment of current debt plus arrears per month. Should such an arrangement be reached, it will suspend the debt collection process in terms of the negotiated agreement.
- 10.3 Interest will be charged according to Council policy.
- 10.4 The Ward Councillor will be informed of defaulting debtors or purchasers of property and will be requested to follow up and to protect the interest of Council as far as possible.
- 10.5 Statutory Notices are only required in cases where debtors default on payments regarding purchase of property by instalments for a period more than 12 (Twelve) months and the officials concerned will see to it that such notices be sent in terms of the relevant Act.
- 10.6 The debtor will be responsible to pay all legal costs, including collection fees, attorney client fees and applicable interest and should legal action already have been taken, an acceptable debt re-scheduling agreement must be entered into before legal action is stopped and the costs concerned paid by the debtor.
- 10.7 In the discretion of the officials concerned on behalf of Council, the following payments will be required from debtor prior to stopping legal action:
- 10.7.1 After the issue of summons: normal payment plus arrears to be paid in three (3) monthly payments plus all legal costs as in terms of Council's policy;
- 10.7.2 Judgment having been obtained: normal charges plus 2 time total payments plus all legal costs as in terms of Council's policy;
- 10.7.3 Eviction day: all legal costs in terms of Council's policy and all arrears.
- 10.8 Should an arrangement be not adhered to, Council maintains the right to proceed with further legal action without any notice.
- 10.9 All payments to be made in terms of rental schemes or selling of property contracts are to be made in advance by due date.
- 10.10 The attorney will only start legal process with letters of demand where applicable and will always act in terms of the general conditions of this policy and in terms of the provisions of contracts and leases entered into between debtors and the Council.

## **11 ARRANGEMENTS – GENERAL PRINCIPLES**

When making arrangements for arrear debts, the following will be applicable:

- 11.1 Current charges must always be paid in full.

- 11.2 The debtor will be required to prove his income and expenditure in order to ascertain whether he is in a position or able to make reasonable payment of arrears within his ability to pay.
- 11.3 The provisions of the Magistrate's Court Act No 34 of 1942 as amended and the rules applicable thereto will at all times be used. In this regard special training will be given to officials with regard to procedures in terms of Section 57 and Section 58 of the said Act.
- 11.4 Tenants will have to produce a signed consent from the property owner before an arrangement can be approved by the municipality.
- 11.5 Arrangements will be subject to periodical review.
- 11.6 Debit orders may be arranged with the bank of debtor by the debtor himself, but it is noted that all garnishee orders must be served by the Sheriff in terms of the provisions of the Magistrate's Court Act as recently amended. Stop orders may be arranged with their employers by the debtor himself.
- 11.7 In extreme cases any debtor may apply to the municipal manager or the financial manager to in a short-term use discretion in favour of the debtor. In this regard factors such as death in the family etc. may be taken into consideration, but should the debtor not comply with the arrangement, there will be no further extensions.
- 11.8 Any debtor in arrears will be required to comply with arrangements to re-schedule their debt in terms of the Council's provisions applicable and current accounts to be paid will not be negotiable.
- 11.9 Council will in the event of non-payment follow collection procedures to be streamlined by further extension if necessary of this policy or annexure thereto so that maximum efficiency for collecting outstanding debts is reached.

## 12 DISPUTES

- 12.1 In this item “dispute” refers to the instance when a debtor questions the correctness of any account rendered by the Municipality.
- 12.2 In order for a dispute to be registered with the Municipality, the following procedures must be followed:

By the debtor

- 12.2.1 The dispute must be submitted in writing or dictated to the official who will record it in writing and have it signed as correct. The document must then immediately be lodged with the relevant authorised official.
- 12.2.2 No dispute will be registered verbally whether in person or over the telephone.
- 12.2.3 The debtor must furnish his full personal particulars including his account number, direct contact telephone number, fax number, e-mail addresses and any other relevant particulars required by the Municipality.

12.2.4 The full nature of the dispute must be described in the correspondence referred to above.

12.2.5 The onus will be on the debtor to ensure that he receives a written acknowledgement of the dispute.

By the Municipality

12.2.6 On receipt of the dispute the following actions are to be taken:

- a) All disputes received are to be recorded in a register kept for that purpose. The following information should be entered into this register:
  - (i) debtors account number;
  - (ii) debtors name;
  - (iii) debtors address;
  - (iv) full particulars of the dispute;
  - (v) name of the official to whom the dispute is given to investigate and resolve in accordance with the provisions contained in this Policy;
  - (vi) actions that have, or were, taken to resolve the dispute;
  - (vii) signature of the controlling official
- b) An authorised controlling official will keep custody of the register and conduct a daily or weekly check or follow-up on all disputes as yet unresolved.
- c) A written acknowledgement of receipt of the dispute must be provided to the debtor.

12.2.7 The following provisions apply to the consideration of disputes:

- a) All disputes must be concluded by the Municipal Manager within 14 (fourteen) calendar days from receipt thereof.
- b) The Municipal Manager's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in this Policy after the debtor is provided with the outcome of the appeal.
- c) The same debt will not again be defined as a dispute in terms of this paragraph and will not be reconsidered as the subject of a dispute.
- d) If the debtor is not satisfied with the outcome of his dispute, he or she may lodge an appeal in terms of section 62 of the Systems Act.

12.2.8 The Municipality reserves the right to declare a dispute on any account as may be deemed necessary.

## 13 IRRECOVERABLE DEBT

### Criteria for irrecoverable debt

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

- 13.1.1 all reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount; or
  - 13.1.2 if the amount to be recovered is too small to warrant further endeavours to collect it; or
  - 13.1.3 the cost to recover the debt does not warrant further action, i.e. to summons in another country; or
  - 13.1.4 the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
  - 13.1.5 a deceased estate has no liquid assets to cover the outstanding amount; or
  - 13.1.6 it has been proven that the debt has prescribed; or
  - 13.1.7 the debtor is untraceable or cannot be identified so as to proceed with further action; or
  - 13.1.8 it is not possible to prove the debt outstanding; or
  - 13.1.9 the outstanding amount is due to an irreconcilable administrative error by the Municipality.
- 13.2 As rates are deemed to be recoverable in all instances, all requests to write-off debt in respect of rates must be presented as individual items to the official who has delegated authority to authorise such debt to be written off.
- 13.3 In respect of other debt, schedules indicating the debtor account number, the debtor's name, the physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled.
- 13.4 Notwithstanding the above, the Municipality or its authorised officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.

## 14 STAFF AND COUNCILLORS IN ARREARS

- 14.1
  - a. Item 10 of Schedule 2 to the Act states that: - "A staff member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than three (3) months and a Municipality may deduct any outstanding amounts from a staff member's salary after this period."
  - b. The Municipality shall liaise with the relevant staff on repayment of their arrears.
  - c. The staff member must sign a credit authority in accordance with this Policy.
  - d. No special treatment shall be afforded to staff in arrears.
- 14.2
  - a. Item 12A of Schedule 1 to the Act states that: - "A Councillor may not

be in

arrears to the Municipality for rates and service charges for a period longer than three months.”

b. The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.

14.3 Where the staff or Councillor’s arrears have arisen due to any other reason, such arrear must be paid within 3 months with interest.

14.4 Bonus payments and thirteenth cheques may be appropriated to the whole debt where suitable arrangements have not been made to pay off the debt.

14.5 On appointment to a higher post, employees who have signed a credit authority shall increase their instalments on the credit authority in accordance with their new salary increase.

14.6 All new employees to the Municipality are required to sign Direct Debits for the services registered in their names.

## **15. FULL AND FINAL SETTLEMENTS FOR ACCOUNTS OLDER THAN 2 YEARS**

- (a) The Chief Financial Officer shall be at liberty to appropriate monies received in respect of any of its municipal services it deems fit.
- (b) Where the exact amount due and payable to the Council has not been paid in full, any lesser amount tendered to and accepted by any Council employee, except the Chief Financial Officer and/or his/her fully authorised delegate, shall not be deemed to be in final settlement of such an amount.
- (c) Full and final settlement are to be requested by a letter from a property owner and such letter must be forwarded to the Credit Control Manager.
- (d) The CFO and/or his/her delegate shall consent to the acceptance of such a lesser amount in writing.
- (e) In cases where the account is disputed, the Accounting Officer will determine the amount to be written off.
- (f) The Accounting Officer and /or his/her delegate shall consent to the acceptance of such a lesser amount in writing.
- (h) **The Bad Debt Written Off Policy will give power to the CFO to use his/her discretion to give full and final settlement to accounts as requested.**

## **16 AMOUNTS FOR FULL AND FINAL SETTLEMENTS**

Full and final offers will be considered under the following criteria:

- 75% of the outstanding debt to paid in full.
- 25% of the outstanding debt to be written off.

- A report indicating full and final settlement must be submitted to Council on a monthly basis
- **NB: The process of discounts and or full and final settlements will be done once a year during December and January. This will be advertised and published on print media.**

**17. APPROVALS FOR WRITE OFFS:**

The Accounting Officer may delegate write off amounts to the CFO, Senior Manager Treasury, Manager Credit Control as per council approved delegated powers.

# **MATJHABENG LOCAL MUNICIPALITY**



## **POLICY ON INDIGENT CUSTOMERS**

**2018/2019**

## TABLE OF CONTENTS

Page

|     |                                                      |     |
|-----|------------------------------------------------------|-----|
| 1.  | DEFINITIONS                                          | 192 |
| 2.  | INTRODUCTION                                         | 193 |
| 3.  | PURPOSE OF THE POLICY                                | 194 |
| 4.  | POLICY PRINCIPLES                                    | 194 |
| 5.  | POLICY OBJECTIVES                                    | 194 |
| 6.  | LEGISLATIVE FRAMEWORK                                | 194 |
| 7.  | TARGETING OF INDIGENT HOUSEHOLDS                     | 195 |
| 8.  | QUALIFICATION CRITERIA                               | 195 |
| 9.  | ASSISTANCE PROCEDURES                                | 196 |
| 10. | INTRODUCTION TO INDIGENT SUPPORT                     | 198 |
| 11. | THE EXTENT OF INDIGENT SUPPORT                       | 198 |
| 12. | PROCESS MANAGEMENT                                   | 200 |
| 13. | DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER     | 202 |
| 14. | PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION | 202 |
| 15. | TARIFF POLICY                                        | 202 |
| 16. | SOURCES OF FUNDING                                   | 203 |
| 17. | METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY      | 203 |
| 18. | RESTORING SERVICES TO QUALIFIED HOUSEHOLDS           | 203 |
| 19. | DEPOSITS                                             | 203 |
| 20. | MONITORING AND REPORTING                             | 203 |
| 21. | CAPACITY BUILDING                                    | 204 |
| 22. | IMPLEMENTATION AND REVIEW OF THIS POLICY             | 204 |



**MATJHABENG MUNICIPALITY**  
**POLICY ON INDIGENT CUSTOMERS**

**1. DEFINITIONS**

**“Responsible Official”** an official duly authorised by the Municipality, or an employee of a service provider appointed by the Municipality, who is responsible for the following:-

- a. to ensure that applications for indigent support are received, assessed and submitted for consideration and approval;
- b. to ensure that approved applications are captured on the Financial Management System; and
- c. to ensure that information on applications are verified and that regular audits are executed.

**“household”** means a registered owner or tenant with or without children who reside on the same premises;

**“indigent”** means any household or category of households, earning a combined gross income, as determined by the Municipality annually in terms of a social and economic analysis of its area, which qualifies for rebates/remissions, support or a services subsidy; provided that child support grants are not included when calculating such household income;

**"Municipality"** means the **Matjhabeng Municipality**, established in terms of Section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, Councillor, duly authorized agent or any employee acting in connection with this by-law by virtue of a power vested in the Municipality and delegated or sub-delegated to such political structure, political office bearer, councillor, agent or employee;

**'occupier'** means the person who controls and resides on or controls and otherwise uses immovable property, provided that:-

- a. the spouse of the owner of immovable property, which is used by such spouse or owner as a dwelling at any time, shall be deemed to be the occupier thereof;
- b. where both spouses reside on immovable property and one of them is an occupier thereof, the other shall also be deemed an occupier;

**'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 fifty years, whether the lease is registered or not, shall be deemed to be the owner thereof; and
  - (ii) the occupier of immovable property occupied in terms of a servitude or right analogous thereto shall be deemed the owner thereof;

- b. if the owner is absent from the Republic or if his or her address is unknown to the Municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property;
- c. if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then 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; OR
- d. if the Municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;

**'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, 1997 (Act No. 8 of 1997) or in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937); or
- b. a general plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and
- c. situated within the jurisdiction of the Municipality;

**'rates'** means any tax, duty or levy imposed on property by the Council;

## 2. INTRODUCTION

- 2.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical development of the community and ensure that all residents and communities in the Municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1) (b) and 153(b) of the Constitution.
- 2.2 Basic services are generally regarded to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.
- 2.3 The Constitution recognises Local Government as a distinct sphere of Government and as such also entitles Local Government to a share of nationally raised revenue, which will enable it to perform their basic function of providing essential services to the community within their boundaries.
- 2.4 The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the Municipality is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.
- 2.5 To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
- 2.6 The customer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Matjhabeng Municipality.

### **3. PURPOSE OF THE POLICY**

The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Matjhabeng Municipality and to ensure that the same procedure is followed for each individual case.

### **4. POLICY PRINCIPLES**

4.1 It is against the above background that the Matjhabeng Municipality undertakes to promote the following principles:-

4.1.1 To ensure that the portion for free basic services allocated as part of the equitable share received annually will be utilised for the benefit of the poor only and not to subsidise rates and services charges of those who can afford to pay;

4.1.2 To link this policy with the Municipality's Integrated Development Plan (IDP), Local Economic Development (LED) initiatives and poverty alleviation programmes;

4.1.3 To promote an integrated approach to free basic service delivery; and

4.1.4 To engage the community in the development and implementation of this policy.

### **5. POLICY OBJECTIVES**

In support of the above principles the objectives of this policy will be to ensure the following:-

5.1 The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;

5.2 The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation;

5.3 Establishment of a framework for the identification and management of indigent households including a socio-economic analysis and an exit strategy;

5.4 The provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households;

5.5 To ensure co-operative governance with other spheres of government; and

5.6 To enhance the institutional and financial capacity of the Municipality to implement the policy.

### **6. LEGISLATIVE FRAMEWORK**

This policy is designed and implemented within the framework of the following legislation:-

6.1 The Constitution of the RSA, 1996;

6.2 Local Government Municipal Systems Amendment Act, 2003, Act No 44 of 2003;

- 6.3 The Local Government Municipal Finance Management Act 2003, Act no 56 of 2003;
- 6.4 The Promotion of Administrative Justice Act, 2000, Act no 3 of 2000;
- 6.5 The Promotion of Access to Information Act, 2000, Act no 2 of 2000; and
- 6.6 The Local Government Municipal Property Rates Act, 2004, Act no 6 of 2004.
- 6.7 FBS Policy, all other sectors policies
- 6.8 White Paper on Local Government

## **7. TARGETING OF INDIGENT HOUSEHOLDS**

- 7.1 The effective targeting of indigent households and the implementation of this policy will depend largely on the social analysis included in the IDP, the LED initiatives and other poverty relief programmes of the Matjhabeng Municipality. The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent households. Against the background of such socio-economic analysis, the Municipality must within its financial and institutional capacity decide which targeting approach or option should be applied.
- 7.2 The Municipality may apply the following targeting methods:-

| <b>Targeting approach</b>         | <b>Application</b>                                                                                                                                                                    |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Service levels                 | Lowest service levels normally in informal settlements and rural areas.                                                                                                               |
| 3. Household income               | Threshold shall be determined in terms of socio-economic analysis equalling two state pension grants per Indigent household or an amount determined by the Council from time to time. |
| 4. Geographical (Zonal) targeting | Specific areas (rural or urban) where households are regarded as poor irrespective of service level.                                                                                  |

- 7.3 For the 2017/2018 financial year the Municipality will use household income as the targeting approach for the registration and verification of indigent customers.

## **8. QUALIFICATION CRITERIA**

Qualification criteria for indigent support shall be determined by the Municipality from time to time, provided that until the Matjhabeng Municipality determines otherwise, the following criteria shall apply:-

- 8.1 The applicant must be a resident within the Matjhabeng municipal area.
- 8.2 The applicant must be in possession of a valid South African identity document.
- 8.3 The total monthly gross income of the registered owner his/her spouse or life companion is not more than an amount as determined by Council from time to time. This amount will be determined at the beginning of every financial year and will be applied for the duration of that particular financial year. Currently the income amount is deemed to be less or equal to

the amount received by two state pensioners as determined annually by the Minister of Finance.

**No tenants is allowed to register as an Indigent.**

- 8.4 The applicant must be the owner who receives municipal services and is registered as an account holder on the municipal financial system;
- 8.5 Any occupant or resident of the single household referred to above may not benefit in more than one property in addition to the property in respect of which indigent support is provided.
- 8.6 The current account of a deceased estate may be subsidised if the surviving spouse or dependants of the deceased who occupy the property, applies for assistance. Relevant supporting documentation need to be submitted as part of the application in order for the municipality to assist with the costs of transferring the property (e.g Housing permit, Court order or letter of Authority).
- 8.7 The applicant whose total monthly household exceed the threshold but the circumstances are such that the applicant is not able to pay for services (eg. When the applicant uses most of the monthly income towards payment of medication) may apply. Their applications will be considered by Council on merit.

## **9. ASSISTANCE PROCEDURES**

### **9.1 Communication**

- 9.1.1 The Municipality will from time to time inform and educate the communities in order to have a clear understanding of this policy and its implementation.
- 9.1.2 Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in general and methods of communication may include, but will not be limited to:-
  - 9.1.2.1 Ward committees;
  - 9.1.2.2 Community Development Workers (CDW's);
  - 9.1.2.3 Local radio stations and news papers;
  - 9.1.2.4 Municipal accounts;
  - 9.1.2.5 Imbizo's and road shows; and
  - 9.1.2.6 Sector department road shows (sharing resources promotion of access to services)
  - 9.1.2.7 Jamborees where government and municipal officials are made available to assist residents with applications such as ID applications, pension- and social grant applications, etc.

## **9.2 Institutional Arrangements**

The Municipality must designate existing staff or appoint officials, or engage appointed Community Development Workers who have been trained in terms of the Municipality's directions to assist with the implementation and development of this policy and must establish appropriate registration points in its area, the cost of which may be funded through the equitable share allocation.

## **9.3 Application/Registration**

9.3.1 A person applying for indigent support must complete a formal indigent support application form approved by the Municipality.

9.3.2 Such forms will be available at approved registration points provided by the Municipality.

9.3.3 Applications for the indigent subsidy must be accompanied by the following documentation:-

9.3.3.1 The latest municipal account/ account information for the household;

9.3.3.2 Proof of the identity of the account holder; and

9.3.3.3 Proof of the income of all occupants on the property; i.e. a letter from his/her employer, salary slip/ envelope, pension grant receipt or bank statement showing the grant transferred unemployment insurance fund (UIF) card or a certificate that confirms registration as "looking for employment"; or

9.3.3.4 Bank Statement for the last three months certified by the bank and a statement from the applicant that no other bank accounts exist.

9.3.3.5 In the absence of any proof to be submitted either through paragraphs 9.3.3.3 or 9.3.3.4 a sworn affidavit must be submitted together with the documentation required in terms of paragraphs 9.3.3.1 and 9.3.3.2.

## **9.4 Assessment and Screening of Applicants**

Upon registration of an application, all information will be verified by the responsible officials.

## **9.5 Recommendation and Approval**

Once the verification has been completed the responsible official must submit the application and recommendation to the relevant Supervisor for review and submission of a batch for approval.

To ensure credibility Councillors, Ward Committees, will be consulted as part of the verification process.

## **9.6 Indigent Applications submitted by Councillors and Ward Committees**

All application forms collected or completed by Ward Councillors and Ward Committees on behalf of the beneficiaries will be submitted to the responsible official and will be processed in line with paragraph 9.3 and 9.5 above.

## **9.7 Right of Appeal**

An applicant who feels aggrieved by a decision taken in respect of his or her application may lodge an appeal in terms of section 62 of the Municipal Systems Act, Act no 32 of 2000.

## **10. INTRODUCTION TO INDIGENT SUPPORT**

- 10.1 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.
- 10.2 The general threshold for indigent support is restricted to qualifying households with a total monthly gross income of the registered owner and his/her spouse or life companion not more than an amount as determined by Council from time to time. This amount will be determined at the beginning of every financial year and will be applied for the duration of that particular financial year. Currently the income amount is deemed to be less or equal to the amount received by two state pensioners as determined annually by the Minister of Finance.

## **11. THE EXTENT OF INDIGENT SUPPORT**

Within the above mentioned budgetary process and in striving to create the situation where poor households will be granted access to a full social package, assistance and support to households may be granted as set out below.

### **11.1 Electricity**

- 11.1.1 All registered indigents will receive 50 kWh of electricity per month fully subsidised or an amount to be determined by Council on an annual basis. Meter numbers must be provided by the consumers for this subsidy.
- 11.1.2 Unused/Uncollected free electricity units will not be carried over to the next month. Any meter tampering will result in the subsidisation to be withdrawn. In the event of the electricity supplied by Eskom directly the Municipality will pay over an amount to Eskom equal to 50 kWh of electricity per month based on the customers registered with the Matjhabeng Municipality as indigents and not based on any indigent records submitted by Eskom.

### **11.2 Water**

- 11.2.1 All registered indigents will receive 6 kilolitres of water per month fully subsidised or an amount as determined and provided for by the Council in the annual budget from time to time
- 11.2.2 The subsidy shall not be more than the applicable tariff for that year and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

- 11.2.3 All registered indigents' leaks on internal water infrastructure, where possible, shall be repaired free of charge by the Municipality.

### **11.3 Sanitation**

- 11.3.1 All registered indigents shall be fully subsidised for sanitation charges calculated on the bases of the market value of the property.
- 11.3.2 Residential property with a Market Value Equal or less than value as per tariff schedule are exempted from paying sanitation charges.
- 11.3.3 The subsidy shall not be more than the applicable tariff for that year and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

### **11.4 Refuse Removal**

- 11.4.1 All registered indigents shall be fully subsidised for the basic levy for refuse removal for one service connection as provided for by Council in the annual budget from time to time.
- 11.4.2 Residential property with a Market Value Equal or less than value as per tariff schedule are exempted from paying refuse charges
- 11.4.3 The subsidy shall not be more than the applicable tariff for that year and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

### **11.5 Property Rates**

- 11.5.1 All registered indigents shall be fully subsidised for the payment of property rates provided for by Council in the annual budget from time to time and subject to the provisions of the Municipal Property Rates Act.
- 11.5.2 The subsidy shall not be more than the applicable tariff for that year, and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

### **11.6 Burials**

- 11.6.1 In the event of the death of a member of a registered indigent household, the Municipality will exempt the household from the cost of digging and preparation of a grave, provided that the burial takes place in a municipal cemetery. Such application must be accompanied by a certified copy of the Death Certificate, Burial Order and a sworn affidavit regarding the relationship of the applicant.
- 11.6.2 In the event of the dead of a member of a registered indigent household, the municipality will follow the processes outline in the "Guidelines for the burial of indigent persons and unidentified bodies" which forms part of this policy attached hereto as an annexure.



## **12. PROCESS MANAGEMENT**

### **12.1 Applications**

- 12.1.1 The indigent application form should be completed in full.
- 12.1.2 All applications must be sworn by the SAPS or a Commissioner of Oath.
- 12.1.3 Applicants must give permission that the information submitted may be verified by a credit bureau or similar agency.
- 12.1.4 Compile all pre-approved and rejected applications to department supervisor.
- 12.1.5 Supervisor will take all indigents applications to manager indicating which ones have been pre-approved and which one has been rejected.

### **12.2 Validity Period**

- 12.2.1 The validity period of assistance will be for the duration that the applicant remains indigent. Households, in terms of the audit and review process, will be subjected to scrutiny to determine any change in status.
- 12.2.2 Households may have to periodically re-apply. The period of validity will be determined by the Municipality from time to time. Re-application must be done at least once in a year cycle or any other period as may be determined by the Municipality.
- 12.2.3 Pensioners and disabled person will re-register and there is a need for this group to re-apply. However, the periodic verification must be performed in order to ascertain that the right people are enjoying the benefit.

### **12.3 Death of Registered Applicant**

In the event that the approved applicant passes away the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met. These are now husband or wife or child minded homes.

### **12.4 Publication of Register of Indigent Households**

- 12.4.1 Names of indigent beneficiaries must be open for public perusal and comment. The Municipality will names and addresses on a list of account holders who receives subsidy in terms of this Policy.
- 12.4.2 Written objections from the public must be referred to the responsible official who will be responsible for investigating the validity of the complaint and referral to the Indigent Committee for appropriate action.

### **12.5 Arrears and Excess Usage of Allocations**

- 12.5.1 Upon registration as an indigent household, the arrears on the account of the applicant will be written off.
- 12.5.2 Where restriction of consumption applies to a particular service, applicants may not refuse to be restricted in terms of Council policy. Where restrictions are not possible the account holder will be responsible for the consumption in excess of the approved subsidy.
- 12.5.3 Current policy requires that upon approval of indigent status the customer's meters for after will be converted to pre-paid meters for Automated Meter Reading (AMR), at the cost of Council (**currently the municipality does not have capacity to do this**).
- 12.5.4 If a pre-paid meter cannot be installed immediately the customer may be subjected to restriction measures to only allow for the monthly minimum free basic services.
- 12.5.5 **The writing off of any arrears is strictly subject to the provision that the property may not be sold within a period of three years from the date that the owner qualify as a registered indigent. In the case of the property being sold inside a period of three years the arrear debt, excluding any further accumulated interest, will be recovered before a clearance certificate is issued**

Costs for operation and maintenance of infrastructure at indigent households to be borne by the municipality (Align it with Water Conservation and Demand Management Plan)

## 12.6 Termination of Indigent Support

Indigent Support will be terminated under the following circumstances:-

- 12.6.1 If the applicant is found to have misled Council about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply:-
  - 12.6.1.1 All arrears will become payable immediately;
  - 12.6.1.2 Stringent credit control measures will apply; and
  - 12.6.1.3 The applicant will not be eligible to apply for indigent support for a period of five (5) years.

## 12.7 Audit and Review

- 12.7.1 The Municipality may conduct regular audits of the indigent register with regard to the information furnished by applicants, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of applicants.
- 12.7.2 The frequency of audits will depend on the institutional capacity of the Municipality to do so. Targeted audits and reviews should be undertaken to ensure the verification of each qualified indigent customer at least once in a three (3) year cycle.
- 12.7.3 Council reserves the right to send officials or its agents to premises/households receiving relief from time to time for the purpose of conducting an on-site audit of the details supplied.

- 12.7.4 Where any doubt exists regarding the current status of a registered indigent customer, the matter should immediately be referred to the responsible official for verification at any time.

### 13. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- 13.1 The Municipal manager or his/her delegate will be responsible to compile and administer the database for households registered in terms of this policy.
- 13.2 Registration will take place on a continuous basis and in accordance with the programme. The Municipality may decide to launch special registration campaigns from time to time.
- 13.3 The Municipal Manager or his/her delegate will provide assistance to persons who cannot read or write, at such times and places as are specified in the notices published to indicate that the registration programme is to take place.

### 14. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- 14.1 Applicants will be required to sign and submit a sworn affidavit, to the effect that all information supplied is true and that all income, i.e. from formal and/or informal sources, is declared. Non-compliance will make the application invalid.
- 14.2 Any person who supplies false information will be disqualified from further participation in the subsidy scheme and be liable for the immediate repayment of all subsidies received and all debts including arrears that have previously been written off. **Council may furthermore institute criminal proceedings, as it may deem fit.**
- 14.3 **The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence status.**

### 15. TARIFF POLICY

- 15.1 The Municipal Systems Amendment Act stipulates that a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements and which complies with the provisions of the Act and with any other applicable legislation.
- 15.2 A tariff policy must reflect, amongst others, at least the following principles, namely that:-
- 15.2.1 The amount individual users pay for their services should generally be in proportion to their use of that service;
- 15.2.2 Poor households must have access to at least basic services through-
- 15.2.2.1 tariffs that cover only operating and maintenance costs;
- 15.2.2.2 special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
- 15.2.2.3 any other direct or indirect method of subsidisation of tariffs for poor households.

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

## **16. SOURCES OF FUNDING**

- 16.1 The amount of subsidisation will be limited to the amount of the equitable share received on an annual basis. This amount may be varied on a yearly basis according to the new allocation for a particular financial year.
- 16.2 The Municipality resolves to subsidise all registered indigents for property rates, electricity, water, sewerage, refuse removal and burials per month or an amount to be determined annually by Council.
- 16.3 If approved as part of the tariff policy the amount of subsidisation may at any time be increased through cross subsidisation.

## **17. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY**

- 17.1 No amount shall be paid to any person or body, but shall be transferred on a monthly basis as a credit towards the approved account holder's municipal services account in respect of the property concerned.
- 17.2 Arrear amounts shall not qualify for any assistance and shall not be taken into consideration. Calculations shall be based on the monthly current accounts only and in accordance with the approved tariff policy.

## **18. RESTORING SERVICES TO QUALIFIED HOUSEHOLDS**

If an application is approved services will be restored free of charge. If services are to be suspended thereafter in terms of the approved credit control policy the approved tariff for reconnection will be payable.

## **19. DEPOSITS**

- 19.1 In terms of Councils Credit Control and Debt Collection Policy all customers must apply for the provision of municipal services before such services are rendered to a particular property. On application for the provision of municipal services the customer deposit prescribed by Council shall be paid.
- 19.2 For the purposes of registering and allocating the applicable subsidy to qualified indigent customers, accounts will be opened for these customers without requiring any deposit. This is made possible through the fact that the value of services levied against these accounts is fully offset on a monthly basis against the applicable indigent subsidy. This arrangement will immediately terminate if the status of the indigent customer changes.

## **20. MONITORING AND REPORTING**

The Chief Financial Officer and Credit Control Manager must report quarterly to the Municipal Manager via the Municipality's Service Delivery and Budget Implementation Plan to enable the Municipal Manager to report to Council and other interested parties. Such report shall reflect on:-

- 20.1 Number of indigent household applications received;
- 20.2 Amount of subsidy allocated per benefit category;
- 20.3 Amount of debt accumulating and debt recovery information (number of customers; enquires; default arrangements; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);

## **21. CAPACITY BUILDING**

The Municipality must ensure that all officials and councillors are appropriately capacitated in Free Basic Services in terms of the following key areas:-

- 21.1 Database management;
- 21.2 Demand and revenue management; and
- 21.3 Policy and by-law implementation.

## **22. IMPLEMENTATION AND REVIEW OF THIS POLICY**

- 22.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.
- 22.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.