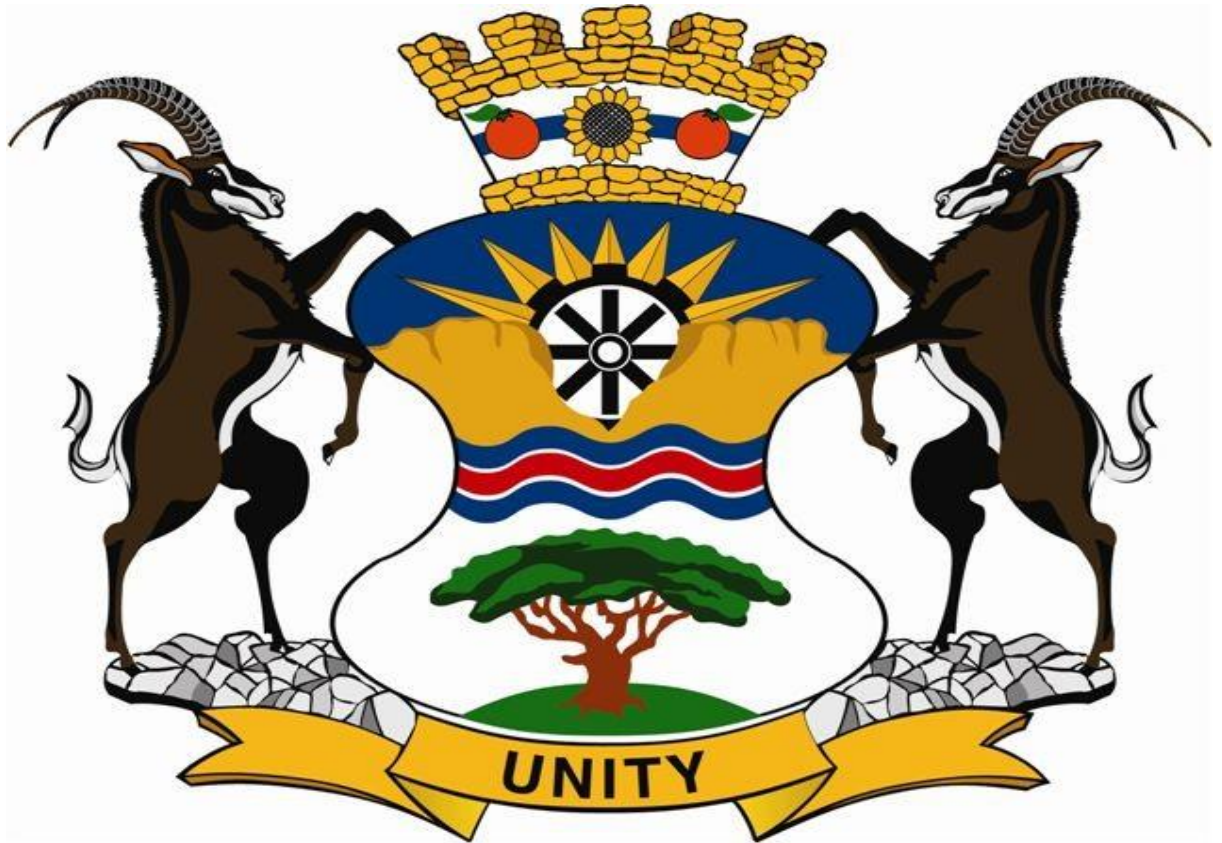


RUSTENBURG LOCAL MUNICIPALITY



DRAFT FRAMEWORK FOR ACCELERATING ECONOMIC EMPOWERMENT AND TRANSFORMATION

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1. INTRODUCTION

The Constitution of the Republic of South Africa Chapter 7 Clause 152, mandates a municipality (Local Government) inter alia to:

- a) *ensure the provision of services to communities in a sustainable manner;*
- b) *promote social and economic development; and*
- c) *encourage the involvement of communities and community organisations in the matters of local government.*

Services can only be sustainably provided if there is a balance of the environmental, social and economic well-being of the communities. It is therefore imperative for the municipality to facilitate and ignite economic development of its communities through policies, supply chain management, job opportunities, infrastructure development and other developmental initiatives.

Clause 153 of the Constitution states that “*the municipality must participate in national and provincial development programmes*”. This includes all programmes including economic empowerment programmes that the National and Provincial Government might initiate. The objective of this clause is to ensure seamless and an integrated approach to social and economic development in the Local Government space. The Municipal Systems Act requirement of an Integrated Development Plan (IDP) further enhances the spirit of developmental integration within the municipal environment. It therefore means the activities of the various spheres of government and state organs should be integrated spatially, economically and the impact or benefits to the community must be understood by all. Ideally, the economic empowerment initiatives by each organ of state must be harmonised with the initiatives of other organs of state.

1.1 Economic Empowerment

Various legislations encourage the municipality directly or impliedly to support, prioritise and grow **black owned SMMEs** particularly those owned by **the Youth, Women, disabled people** and ensure their effective participation in the economic mainstreams. In Rustenburg Local Municipality, a proposed number of developmental initiatives will be undertaken in the 2017/2018 financial year with a key focus on the following initiative.

Development initiatives;

- Development of sectors of an industry, e.g. Small business, women owned business and local industry development.
- Development of sub-contractors to Prime Contractors.
- Development of management capacity of small businesses
- Local Economic Development
- Job Creation
- Poverty Alleviation
- Community-based developments

In these form/methods SMME's can be brought into the mainstream through Contractor participation Goals (CPG), joint venture, consortiums, EPWP programme and sectorial incubation programmes.

The empowerment initiative must operate within the auspices of;

- Section 217 of the Constitution
- Municipal Finance Management Act
- Preferential Procurement Policy Framework
- Broad-Based Black Economic Empowerment Act
- BEE Codes of Good Practice, Codes of good Practice and Scorecard.

2. PURPOSE OF THIS FRAMEWORK

The purpose of this framework document is to provide guidance to municipal officials and other state organs operating within the Rustenburg Local Municipal environment on how to effectively, fairly and transparently contribute to the economic empowerment of communities through developmental initiatives.

The framework seeks to provide channels of communication and reporting, forms of community economic empowerment, activity integration, ways of accessing opportunities, targeted groups and areas for potential partnerships or joint ventures.

3. BACKGROUND

The level of unemployment in Rustenburg Local Municipality is relatively high with most youth being unemployed. The National and Provincial governments have all highlighted poverty as a challenge that needs to be eradicated through job creation and small business enterprise development. Infrastructure development is one fundamental pillar identified to boost economic growth.

In the past three years, there has been growing concern about lack of tangible economic empowerment of communities within Rustenburg Local Municipality. Of major concern is that residents are not economically benefitting from infrastructure development projects that are being undertaken in their wards.

The municipality has a number of initiatives that seek to create opportunities for the local people and includes EPWP programs. However, these programs have not found their footprint in a structured manner in most infrastructure projects due to lack of knowledge and guidance on how this could be done. This document seeks to provide simplified

guidelines for dealing and ensuring economic empowerment of local communities through projects executed by the municipality

Through this initiative the municipality prioritises job creation, small business support and community empowerment as one of economic development thrust in the next five years. The high rate of unemployment within the municipality is worrying especially the youth, disabled and women.

The following challenges were identified within Rustenburg Local Municipal Area (EMA) as;

- Need for Poverty alleviation
- Rate of Service delivery
- Availability of Skills and competencies
- Barriers to entry
- Capacity limitations
- Collusion
- Slow pace of economic transformation

4. POLICY SUPPORT

Economic Empowerment/Transformation is part of a broader Transformation Framework that needs to be adopted by the Municipality.

This framework is in line with PPPFA Regulations gazette on 20 January 2017.

A new SCM Procurement Bill is also being prepared currently and this may also impact on the proposals in this presentation.

The five elements of the BBBEE are to be taken into account when driving the empowerment initiative, these being;

- Ownership.
- Management Control.
- Skills Development.
- Enterprise and Supplier Development.
- Socio-Economic Development

5. EMPOWERMENT STRATEGIES

The empowerment strategies shall be curved within the following broad principles:

- a) Every project with a contract value above R30 million shall set aside 30% of the project for CPG. This will be stipulates as a condition of tender as outlined in clause 5.4 of this document.
- b) Projects that are between R5million and R30million must stipulate that 30% of the project value will be allocated to sub-contractors. This will not be a condition of tender but a requirement and if companies fail to meet this requirement penalties will be incurred.
- c) Subcontractors or service providers shall be selected from the Wards where the service or project is being undertaken. If the project is traversing a number of Wards, opportunities shall be granted to all subcontractors in the benefiting Wards at the beginning of the project irrespective of the project timelines.
- d) In cases where there are no suitable contractors to do the job in a Ward, the main contractor or service provider shall select sub-contractors from the relevant Wards under the emerging contractor program to be implemented by the municipality or any such database of service providers kept by the municipality. However, should there be no subcontractors from the relevant wards, sub-contractors will be selected from boundaries within Rustenburg Local Municipality.
- e) The main contractor/service provider is expected to provide training to the subcontractors. The training and coaching shall enable the subcontractor to apply for higher CIDB grading after the completion of the project or register with the appropriate professional or monitoring body.

f) Nominated Subcontractors

The municipality may provide nominated subcontractors to the main contractor or service provider at the tender stage who shall take full professional responsibility for the workmanship quality of the subcontractors he/she chooses. The subcontractor shall be selected from a database created for small ward contractors and service providers and/or Emerging Contractors database

g) Database

The Supply Chain Management Unit shall keep a database for ward-based contractors or service providers and shall be renewed once a year through adverts in the local media, notice boards of municipal offices and internet. The Ward Councillors may be alerted of advert so that they can disseminate the information about the tenders to the communities. Other State Organs may use this database.

h) Integration

The planned and actual economic empowerment of communities of all organs or state or role players working within the Rustenburg Local Municipality shall report to the Supply Chain Management Unit for integration and information sharing thereof

i) Communication

All communication regarding community empowerment initiatives shall be done through the municipality through the LED Office in partnership with SCM where upon he/she shall act swiftly to assist the third party. Communication by any Organ of State to individual community members or individual groups shall be avoided.

6. UNBUNDLING STRATEGIES

Unbundling of programs or projects afford a wide range of participation opportunities to the full spectrum of targeted groups or enterprises. This can range, from those operating as labour only contractors to those operating as prime contractors or suppliers.

The use of Targeted Procurement enables contracts to be unbundled in a number of ways, viz.:

- by procuring works or services in the smallest practicable quantities
- by obligating prime contractors or service providers to engage targeted enterprises in the performance of their contracts in terms of resource specifications

- by requiring joint venture formation between large businesses and targeted enterprises (known as Structured Joint Venture); and
- by providing third party management support to enterprises which are not capable of operating as prime contractors (known as Development Contracts);
- by encouraging venture capital providers to assist small business enterprise;
- by requiring manufacturers to have some of their components of their products manufactured and procured from small business enterprise from within Rustenburg Local.

7. SUPPORT TARGET GROUPS

Having initiatives that support and sustain entities that are owned by PPG's in particular Youth, Women, disabled, Military Veterans etc.

The proposed SCM Policy states that Rustenburg Local Municipality can implement a procurement process which incorporates;

- (a) categories of preference in the allocation of contracts; and
- (b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination

These programmes and initiatives include, amongst other things, the following;

- EPWP Construction Contractor Incubator/Development Program
- CPG's with area/ward based panels of contractors
- Joint Ventures and Consortiums
- Designated Sub-Contracting & Contractor/Supplier Development for Categories/Programmes with monopolistic and/or under-represented Service Providers
- Skilled and unskilled labour (Demarcated within Wards)
- Sectorial Incubation Programmes
- Co-operatives

8. EPWP CONSTRUCTION CONTRACTOR DEVELOPMENT/INCUBATOR PROGRAMMES

- Expressions of interest to register service providers for 36 months. This shall be done on a yearly basis
- Aim is to target labour intensive programmes
- Categories EPWP services e.g. bricklayers, construction, sidewalks etc.

In line with the Council approved EPWP Policy, and targets in the Performance Plans of Directors, Line Departments are to identify projects that are labour intensive that will form part of EPWP Contractor Development Programme.

The other spheres of government or State Organs operating in the municipality may also use the database of EPWP contractors or service providers developed and managed by the Municipality.

Unbundling of big projects and identifying opportunities and areas/ scope of works that can be carried out by emerging contractors and excising those from the main assignment shall be the norm.

The EPWP policy needs to be refreshed in order to address the current gaps as per 5.4

9. CPG's AND SUB-CONTRACTING

The revised regulations require organs of state to identify tenders, where it is feasible, to sub-contract a minimum of 30% of the value of the contract for contracts above R30 million.

The tenderer must sub-contract a minimum of 30% of the value of the contract to-

- (a) an EME or QSE;
- (b) an EME or QSE which is at least 51% owned by black people;
- (c) an EME or QSE which is at least 51% owned by black people who are youth;
- (d) an EME or QSE which is at least 51% owned by black people who are women;
- (e) an EME or QSE which is at least 51% owned by black people with disabilities;
- (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
- (g) a cooperative which is at least 51% owned by black people;
- (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
- (i) more than one of the categories referred to in paragraphs (a) to (h).

Any bidder not meeting this requirement will be considered non-responsive & accordingly the bid will be disqualified

The municipality should be the one informing main contractors which CPG's are to be utilised through consultation with relevant stakeholders. The following tools are to be utilised;

- Accredited database for various categories of services
- Accredited service providers within demarcated wards

This registration of these service providers will assist in identifying service providers that are currently undertaking work with Rustenburg Local Municipality and those that have been given opportunities within the financial year.

10. JOINT VENTURE AND CONSORTIUM

Joint venture is “an association of firms of which at least one of the partners is an emerging partner for which purpose they combine their expertise, property, capital, efforts, skills and knowledge to execute a contract”. For South African emerging contractors this must entail empowerment through capacity building based on democratic, participatory, and development strategies.

Joint venture agreements that must clearly define;

- Shareholding %.
- Terms and conditions
- Skills transfer
- Allocation and or distribution as per the scope of work

11. Designated Sub-Contracting & Contractor/Supplier Development for Categories/Programmes with monopolistic and/or under-represented Service Providers

Where there are areas/programs/sectors with monopolistic and/or under or poor representation the following shall be established

- incubation programs with panels of designated subcontractors

The designated sub-contractors on the panel are contracted directly to Rustenburg Local Municipality through an Incubation programme. This will be applicable in the following instances

- Sole or limited service providers

Accredited sectorial service providers e.g Muvo cards only supplied by Standard Bank, Nashua photocopies supplied only by Kopano, Mercedes sole supplier of parts for buses, Soft-drinks only supplied by ABI

12. Sectorial Incubation Programmes

The sectorial incubation programme is to counter monopolistic practices in particular sectorial areas.

- This programme must be undertaken over 36 months
- Accredited register of service providers
- Skills transfer programme

It will be incumbent upon the municipality or organs of state to ensure that the (would be) designated sub-contractors meet the industry norms and conventions and are compliant with the applicable prescripts.

Under no circumstances will the prescribed and applicable standards be compromised on the altar of this programme.

13. Skilled and unskilled labour (Demarcated within Wards)

Consultation must take place within each Ward before the start of a project to identify Skilled and unskilled labour to be utilised for the project through;

- Register of unemployed persons in each area

Ward structures in consultation with Project Managers to facilitate process on a rotational basis. The Tender document shall specify that 100% unskilled labour and 50 % skilled labour shall be sourced from the Local Community

14. Co-operatives

Procedures will be put in place to deal with Co-operatives and to identify further projects.

- Co-op will be appointed through an expression of interest in the following sectors;
- Grass cutting
- Cleaning of municipal buildings
- Cleaning of streams / storm water

15. Suggested measures to support and grow SMME's in particular Youth, Women, disabled

- Availability of credit facilities & financing
- The need for technical & managerial training especially through mentorship
- Allocating projects exclusively to the target groups to aid the transit of emerging to fully fledged contractors
- Monitoring contractors to ensure that only responsible target groups are selected
- Having more targeted projects

16. AREAS OF IMPROVEMENT

- Simplification in bid submission requirements
- Broadening of participation base of small suppliers
- Waiving of bid requirements
- Contractor registration / prequalification systems
- Procurement documentation
- Monitoring & reporting on empowerment initiatives
- Quality management & assurance
- Dispute mechanisms

17. PARTNERSHIP AGREEMENTS

In order for all the above empowerment initiative to work it requires partnership between Supply Chain Management, Business Support, (LED) Skills development and respective Line Departments through undertaking the following;

- Identification of Project that must have CPG's as part of their empowerment initiatives
- Analysis of their spend areas to identify programmes/projects that must have designated sub-contracting as part of their empowerment initiatives.
- Compulsory specifications for Skills Development and other Socio-Economic objectives are utilised where applicable.

18. WAY FORWARD

This methodology requires a measurable component to enable the amount of participation by the target group to be quantified. Therefore the municipality must provide;

- A level playing field for all tenderers, socio-economic deliverables and related specifications must be clearly and precisely defined.
- The key elements associated with socio-economic objects must accordingly:
 - Define what constitutes each target group;
 - Set goals (targets), measurable in monetary terms, which can be met by engaging the target groups in the pursuit of predetermined socio-economic / development objectives;
 - Provide for the measurement of key indicators to ensure that goals may be quantified and audited during the performance of the contract; and

- Set out of the manner in which goals can be achieved, as well as what and how penalties will be applied in the event that a contractor fails to meet his contractual obligations.
- Unit Directors to ensure that they have EPWP Policy related targets in their IPP's and those of relevant staff
- To review budget, identify and unpack their projects (current, soon to be awarded and to be advertised) to incorporate the dimensions of Empowerment as outlined
- To submit all Specifications with Empowerment methodology failing which items will be returned.
- To Report to SCM on the planned Empowerment initiatives for projects (current, soon to be awarded and to be advertised)
- Stakeholder engagement, internal and external

Current standards available as SANAS documents to address socio-economic objectives

- 1) Targeting of affirmable business enterprise**
- 2) Structured Joint Venture (Affirmable Partners)**
- 3) Structured Joint Venture (Targeted Partners)**
- 4) Targeting of local resources**
- 5) Engagement of targeted labour**
- 6) Targeting of affirmable professional service providers**



ASSET MANAGEMENT POLICY & PROCEDURES MANUAL



RUSTENBURG

LOCAL MUNICIPALITY

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Rustenburg Local Municipality
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Asset Management Policy

CHAPTER 1 --- General Introduction

Part 1 – Preamble

New legislation such as the Municipal Finance Management Act (MFMA), That brought changes of compiling the financial statements including the size and complexity of the Rustenburg Local Municipality's (hereafter named RLM) operations, highlights the critical importance management:

The municipal council of Rustenburg Local Municipality wishes to adopt a policy to guide the Municipal Manager in the management of the municipality's assets.

The Municipal Manager as custodian of municipal funds and assets is responsible for the implementation of the management policy which regulates the acquisition, safeguarding and maintenance of all assets.

The Department Heads (Functional Heads) acquiring assets on behalf of RLM must ensure that only assets necessary for the efficient, effective and economical delivery of intended service delivery are procured. Those assets that require periodical maintenance must be properly maintained, to ensure that intended benefit to be derived from assets procured is realised. Assets no longer needed to deliver services, must be declared for further transfer to areas where needed or to be disposed of in the appropriate manner.

Individuals entrusted with RLM's assets have to properly utilize such assets to ensure that the intended benefit to be derived is realised. Adequate security measures to safeguard the RLM assets must be adhered to; to ensure that lose or theft of assets is minimized.

Assets acquisitions, movements, transfer and disposals policies and procedures must be adhered to at all times to ensure that the assets recorded in the Assets Register and funding sources are correctly identified and recorded appropriately. Disciplined assets management from the individual asset user up to top management must ensure that this is achieved.

This policy is applicable to all Departments and Strategic Executive Directors up to the Municipal manager's level.



PART 1.2 - OBJECTIVES

The objective of this Asset Management Policy is to ensure that the municipality:

- has consistence application of asset management principles;
- implement accrual accounting;
- complies with the MFMA and other related legislation;
- correctly accounts for assets under the GRAP accounting framework;
- safeguards and controls the assets of the municipality
- and optimise asset usage

Other objectives is:

- a) To ensure the effective and efficient control, utilization ,safeguarding and management of the RLM'S property, plant and equipment are achieved.
- b) To ensure that Functional Heads are aware of their roles and responsibilities regarding property, plant and equipment.
- c) To set out the standards of physical asset management, recording and internal controls to ensure property, plant and equipment are safeguarded against loss and/or inappropriate utilisation.
- d) To specify the processes required for acquisition, transfer and disposal of assets.

CHAPTER 2 ---- ROLES AND RESPONSIBILITIES

PART 2 - ROLE OF THE MUNICIPAL MANAGER (MM)

As the accounting officer of the municipality (section 63 of the MFMA), the Municipal Manager shall be the principal custodian of all the Municipality's assets and shall be responsible for ensuring that the asset management policy is meticulously applied and adhered to.

The Municipal Manager must ensure that:

- a) The Municipality has and maintains a policy and internal control systems that accounts for the assets of the Municipality;
- b) The Municipality's assets are valued in accordance with standards of generally recognised accounting practice;
- c) That the Municipality has and maintains a system of internal control of assets including the assets register; and
- d) Departmental Heads and their staff comply with this policy.
- e) Asset management policy is reviewed annually.



PART 2.1 – ROLES AND RESPONSIBILITIES OF OFFICERS BELOW THE MUNICIPAL MANAGER

PART 2.1.1 - THE CHIEF FINANCIAL OFFICER (CFO)

- The CFO shall be the asset registrar of the municipality in terms of (section 79 of the MFMA), and shall ensure that a complete, accurate and up-to-date computerised asset register is maintained.
- The CFO shall be responsible to supply respective Directorates with a copy of the assets, as scheduled in the asset count programme.
- Shall submit a report to council on all lost assets and include all explanations of the responsible Directorates.
- Shall ensure that all assets of the municipality are covered in terms of the insurance policy of the municipality.
- Shall compile an asset count programme to ensure that all assets are physically verified during a financial year.

The CFO must ensure that:

- a) Appropriate systems of financial management and internal control are established and carried out diligently;
- b) The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- c) Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- d) The systems, processes and registers are required to substantiate the financial values of the municipalities' assets are maintained to the standards sufficient to satisfy the requirements of the Auditor –General;
- e) Financial process are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions;
- f) The municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- g) The senior managers and senior Management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets'
- h) The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring that these activities are performed. The CFO shall delegate his/her authority to the Unit Head: Financial Management Services.

It shall still be responsibility of the CFO to report on all asset items to council.



PART 2.1.2 – UNIT HEAD: FINANCIAL MANAGEMENT SERVICES

Since the CFO has delegated the necessary authority to the Unit Head: Financial management services to ensure effective and efficient implementation of this policy, in terms of the MFMA.

The Unit Head: Financial Management Services shall keep an asset Register of the Municipality in which all property, plant and equipment and other material assets owned or leased by the Municipality together with their appropriate carrying amounts.

He/she shall co-ordinate the submission of all integrated council items for the CFO to report in the council.

PART 2.1.3 ASSET MANAGEMENT SECTION (AMS)

The Unit Head: Financial Management unit discharges his/her responsibility through Asset Management Section(AMS). The section consists of officials that operate at the corporate level. The Asset Management Officials are Specialized team responsible for the centralized overall asset accounting management. The officials in this office are not accountable for the physical assets dedicated to the Departmental Head's.

Some critical duties of AMS include the following tasks:

- a) Perform asset accounting in the Asset Register and programmed test asset verification to ensure that assets in the Asset Register and physical assets reflect a true reflection of RLM assets.
- b) To ensure that the asset information serving in the council is correct identified in the Asset Register, to enable decision taken on such asset items to be affected timeously.
- c) Provide continuous support to Asset Controllers.

PART 2.1.4 – DEPARTMENTAL HEADS / DIRECTORS

- The directors shall be responsible and accountable for all assets under their control.
- The directors must nominate officials (Asset Controllers) who shall safeguard the assets on their behalf; but they shall remain accountable for ensuring that these activities are performed.
- Directors are responsible to safeguard all assets against damage or loss.
- They are responsible to take disciplinary action against official who misappropriate the assets of the municipality.
- To ensure that all information, regarding assets, are submitted to the CFO who will ensure that assets are covered in terms of the council's insurance policy.



Department heads / Directors must ensure that:

- a) The appropriate physical asset management and control (including asset internal control processes) are established and carried out for asset in their area of responsibility.
- b) The municipality asset resources assigned to them are utilized effectively. Efficiently, economically and transparently.
- c) Any unauthorized, irregular, fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct, are prevented.
- d) Their asset management controls can provide an accurate, reliable and up to date account of assets under their control.
- e) They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives.
- f) They must advise the CFO timeously and adequately of any change to the status or value of any assets under their control.
- g) They forward assets items relating to the absence of any asset including asset demolished, destroyed or damaged or any other event materially affected assets values to the:
 - i. **Asset Management Section (AMS)** for assistance with the accurate asset information contained in the register.
 - ii. **Loss Control**, where losses case has been opened; and
 - iii. **Internal Audit**, where verification of the validity of the extent of diminished/appreciated assets values confirmation is applicable.
 - iv. **Public Safety**, to determine if proper security was in place for control at entrances to **buildings**.

PART 2.1.5 – ASSET CONTROLLERS

An Asset controller is responsible:

- a) To act as the asset representative for the Directorate and to assist the Director to execute his/her responsibilities in respect of the assets under his or her control.
- b) To report any assets purchased, sold, demolished, destroyed, relocated, or damaged or any other event, which materially affecting the value of an asset to the Asset Management Section (AMS) in the prescribed format on a monthly basis.
- c) To verify all assets on the asset register in co-operation with the Asset Management Section or approved contractor as scheduled in the asset count programme as compiled by the Chief Financial Officer.



- d) To ensure the inventory list as provided by the Asset Management Section (AMS) are displayed at the back of the door to all the offices under his or her control.
- e) To ensure that consumable items not recorded in the asset register as determined by the Asset Management Section, be kept and maintained.
- f) To submit a full report containing all relevant information to the Chief Financial Officer in respect of all assets that could not be traced.
- g) To hand, all obsolete assets and asset that were replaced, in at the central stores and to provide such information to the Asset Management Section
- h) To motivate and ensure that all personnel in the relevant Directorate take full responsibility of assets under their control and to sign a **Monthly Asset Accountability Statement** regarding the status of their assets for submission to the Asset Controller.
- i) To receive all signed **Monthly Asset Accountability Statement** from employees in the Directorate and then prepare a consolidated Accountability Statement for the Directorate and signed by the Director for submission to the Chief Financial officer.

PART 2.1.6 PUBLIC SAFETY

Although the different asset users are primarily responsible for the safeguarding of the assets entrusted to them, the Public Safety Department is overall responsible for the safeguarding of assets, especially entrance control at buildings where a large concentration of RLM'S assets are being accommodated.

Public Safety is also responsible for the investigations of thefts, in order to identify weaknesses in the internal control. Asset Management Section and Asset Controllers should meet monthly or as deemed necessary with the Public Safety Department to discuss the weaknesses in the internal control systems as well as discussing the type of assets, which are frequently involved in theft/loss incidences and the tightening of identified weaknesses in the internal controls.

Public Safety must address the following:

- a) Standardization of access control in the RLM.
- b) Integrated approach towards losses.
- c) Effective Control loss management and commitment.
- d) Standing orders to officers.
- e) Availing the access/exit security personnel to be trained on asset control documentation to be produced by persons possessing assets at the access/exit points



PART 2.1.7 – LOSS CONTROL COMMITTEE

Departmental Heads and their asset controllers must forward details of asset/s loss/es or damage/s to the Loss Control Committee for further investigation. The result Loss Control Committee comments must be included in Insurance items to serve in the Insurance Claims Committee.

PART 2.1.8 – INTERNAL AUDIT

Internal auditors are charged with ensuring that municipal processes and associated controls are functioning as intended. They also can determine if a process of the municipality could be improved and could save the municipal money or could become more efficient. Ensuring that resources of the municipality are used effectively is a major role of internal auditors.

PART 2.1.9 ASSET/S USER/S (USERS)

- a) Each user is responsible for the assets under their control, allocated to/used by them in the performance of their duties.
- b) Each user must sign the asset inventory list containing the bar-coded assets allocated to them. These lists must be visibly displayed for audit purposes, preferably at the back of the doors. The asset Controllers and the Asset Management Section must keep copies of the movable asset lists.
- c) Asset users are prohibited to move/transfer assets from the location recorded in the asset register without proper authorisation of form.
- d) Each user must take all reasonable precautions to prevent their assets against losses and/or damages.
- e) Each user must maintain or take steps to maintain their assets for their useful life. Users must check and verify their physical assets against their assets lists regularly and ensure that changes in physical assets in their possession are updated in their assets lists.
- f) Any damage to assets must be immediately reported to superiors as well as their responsible asset controllers who will advise appropriate steps to be taken in relevant incidents.
- g) The asset users must avail asset under their control at any time, at the request of the RLM or the Asset Management Section or External Audit or Internal Audit Unit for verification purpose.
- h) In the event such asset being missing stolen or lost, the responsible user shall accordingly report the incident to the SAPS. The reported case information will be source document used to report missing/stolen/lost assets to their superiors, as well as



to their responsible asset controllers who will take further appropriate action in the relevant incidents.

- i) Should it be found that users were not properly utilizing/maintaining/securing assets under their control/stewardship leading to asset/s damages/losses such user's Departmental Head must recover the replacement costs of such assets from the relevant user.
- j) On resignation the user must complete the EXIT Clearance Certificate form and have it signed by all the parties concerned, to ensure that all assets are left in good working condition.

CHAPTER 3 – POLICIES

PART 3 – LIFE CYCLE ON ASSET

An asset life-cycle covers all phases of an asset's life starting with planning, through acquisition, operation, maintenance and disposal.

PART 3.1 – Planning policies

The identification of assets needs and financing options, where the requirement for a new/replacement asset is planned for and established, must be done at the planning stage.

PART 3.1.1 – FINANCING PLANNING

Property, plant and Equipment financial planning and decision-making must be informed by the integrated Development Plan (IDP) and strategic business initiatives in line with prevailing economic conditions and the Municipality's affordability.

PART 3.1.2 – pre-acquisition planning

Before a capital project is included in the budget for approval, the Departmental Head must demonstrate that they have considered:

- a) The project cost over the financial years including initial set-up costs;
- b) The future operational cost and revenue on the project, including tax and tariff implications;
- c) The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- d) The physical and financial stewardship of that assets throughout all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;



- e) The inclusion of this capital project in the IDP and future budgets; and
- f) Alternative to this capital purchase.

PART – 3.1.3 APPROVAL TO THE ACQUIRE PROPERTY AND EQUIPMENT

Money can only be spent on a capital asset/project if:

- a) The money has been appropriated in the capital budget;
- b) The project, including the total cost has been approved by the RLM council;
- c) The CFO confirms that funding is available for that specific project. (Any contract that will impose financial obligations beyond two years after the budget year must be appropriately disclosed)

PART 3.1.4 – CAPITAL PROJECTS FUNDING PLANNING

Within the municipality's ongoing financial, legislative or administrative capacity, the CFO will establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the IDP.

The acquisition of an assets shall not be funded over a period of longer than the useful life of an asset.

PART 3.1.5 – REPLACEMENT PLANNING

- a) Property, Plant and Equipment are to be replaced when:
 - i. They have reached the end of their useful life or economic life(i.e when the asset is fully depreciated); and the cost of maintaining such asset outweighs the economic benefit;
 - ii. They have been lost, stolen, damaged beyond repair, or
 - iii. They have been determined as obsolete, provide there is a continuing need for the service providing such an asset.
- b) The future usefulness of an asset should be assessed continuously especially when the asset is fully depreciated. If it is found that there is no evidence of any continuing need, the asset should not be replaced, and if still in good working condition; the asset could be transferred to where the need for such asset can still be identified.
- c) The asset will only be replaced if:
 - i. It has reached the end of its economic life.
 - ii. It was lost, stolen or non-repairable.
 - iii. It has become unserviceable.
 - iv. It is not economical to continue using the asset when a replacement would ultimately bring economic saving benefit.



- v. It has been superseded by a later or more technologically superior model and;
- vi. There is a continuing need for the service provided by the asset in question or economic benefit.

PART 3.2 – ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment acquisition phase take effect through outright purchase or development/construction. Such Property, plant and Equipment acquisition must only be funded out of capital budget votes in line with IDP and not THROUGH OPERATIONAL BUDGET.

PART 3.2.1 – PHYSICAL RECEIPTING AND MANAGEMENT

The Departmental Head or his/her nominee must:

- a) Ensure that purchasing of property, plant and equipment complies with all RLM'S policies and procedures.
- b) Ensure that all movable assets received into their stewardship are appropriately identified and safeguarded or prevented from inappropriate usage or loss. This will include appropriate control over the physical access to these assets and regular stock takes to ensure any losses do not occur. Any known losses should be immediately reported to the CFO.

PART 3.2.2 THE DATE OF ACQUISITION

The date of acquisition of property, plant and equipment is deemed to be time when legal title and control passes to the municipality.

PART 3.2.3 DONATED ASSETS

The CFO must be informed about any donation to RLM and memorandum must be written and submitted to AMS.

Where an item of property, plant Equipment is acquired at no cost, or for a nominal cost, it will be valued at fair value as at the date of acquisition and included in the asset register if the fair value is greater than the recognition threshold.

Where the value of the asset is known, such value shall be included in the register in line with recognition criteria. It shall be the responsibility of the Departmental head or his nominee to notify the CFO and AMS of such assets for capitalisation purposes.



The Municipal Manager or his/her delegated official shall authorise all assets donated through inter RLM council donations, or public, individuals, private enterprises, Provincial or National Government, to the municipality prior to capitalisation.

PART 3.2.4 – PHYSICAL ASSETS IDENTIFIED NOT TO BE IN THE ASSET REGISTER.

The Director or his/her nominee may authorise the found assets submitted by the asset controller for inclusion in the assets register.

The asset controller shall submit form in respect of the found assets to the AMS for inclusion in the appropriate register.

PART 4 – TRANSFER OF PROPERTY PLANT AND EQUIPMENT

PART 4.1 – PERMANENT TRANSFER TO ANOTHER DEPARTMENT

- a) The Departmental Head retains managerial accountability and control for a particular asset unless;
 - i. Another Departmental Head agrees in writing to accept responsibility for that asset, and
 - ii. The CFO or his/her nominee endorses transfer in the mass transfer form.
 - iii. The Budget and Treasury Office appropriately amends the Asset Register for all approved transfers.
 - iv. The new Departmental Head assumes all the accountabilities of the previous Departmental HEAD.

PART 4.2 – RELOCATION OR RE-ASSIGNMENT OF PROPERTY OR EQUIPMENT.

The Departmental Head must ensure that the asset is appropriately safeguarded for loss, damage, or misuse whenever it is located. Safeguarding includes ensuring reasonable physical restrictions.

The Departmental Head must advise the CFO whenever an asset is permanently relocated or re-assigned from the location.

The departmental Head must advise the CFO whenever an asset is temporarily relocated or re-assigned from the location. In this case, the Departmental Head must advise the CFO when this asset is returned.

PART 5 – WRITE-OFF OF ASSET



An asset, even though fully depreciated shall be written off on the recommendation of the Departmental Head controlling or using the asset concerned, and with the approval of the RLM council.

The only reason for writing off assets, other than the sale of such assets during the process of alienation, shall be the loss, theft, destruction, material impairment, or decommissioning of the asset to be in question.

Departmental Heads shall report to the CFO on 31 October and 30 April of each financial year on any assets which such Departmental Head wishes to have written-off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the council on the asset to be written off. Amongst the reason for the write-off by the Departmental Head should indicate the following that:

- The useful life of the asset has been expired;
- The asset has been destroyed;
- The asset is out dated;
- The asset has no further useful life;
- The asset does not exist anymore;
- The asset has been sold;
- The SCMP has been adhered to.

The normal disposal written-off assets are through auction but the RLM council may decide on any other method as deemed fit in line with RLM's supply chain management policy. Writing-off of assets not fully depreciated should be avoided since there is direct financial implication on operating revenue. Preferably, fully depreciated assets may be written off. In every instance where a **not** fully depreciated asset is written-off, the CFO shall effect such accounting adjustments in terms of appropriate accounting standards.

PART 6 – FORMAT OF THE ASSET REGISTER

The asset register shall be maintained in the format determined by the CFO, 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 asset register shall reflect the following information:

ACQUISITION

- Transaction Date



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- Amount
- Supplier / Contractor
- Reference (invoice/contract/payment/order number)

IDENTIFICATION & LOCATION

- Category
- Asset number
- Serial Number
- Identifier
- Description
- Location

ACCOUNTABILITY

- Department
- Custodian
- Restrictions
- Ownership
- Licence
- Transfers

PERFORMANCE

- Capacity
- Performance measures
- Condition assessment
- Useful life
- Residual value

Disposal

- Date
- Amount
- Capacity
- Condition
- Remaining useful life
- Residual value
- Reason



ACCOUNTING

- Historical Cost
- Funding Sources
- Useful life
- Remaining useful life
- Residual value
- Depreciation method
- Impairment
- Revaluation
- Depreciation
- Accumulated depreciation
- Carrying amount
- Disposal

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

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

PART 7 – ASSET FORMS

The following are compulsory standard forms to be used throughout the RLM. These forms must be completed before any purchase, transfer or disposal of assets or the commencement of any project involving the capital budget.

No.	Form names and short description	Form no.	Reference
1)	Single transfer of movable assets (To be used for all temporary or permanent movement or transfer of assets.)	RLM 001	Chapter 6
2)	Mass transfer of movable assets (To be used for all temporary or permanent movement or transfer of assets.)	RLM 002	Chapter 6
3)	Monthly Asset Certificate (To be submitted by Directors on monthly basis)	RLM 003	Chapter 6
4)	Employee Clearance Certificate (To be signed when employee leaves service of RLM)	RLM 004	Chapter 6
5)	Asset handed-in at central stores	RLM 005	Chapter 6



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Asset Management Policy

	(To be used in respect of all broken, damaged, missing as well as eventually obsolete/redundant assets,)		
6)	Appointment of asset controller (Must be completed for all appointments of asset controllers.)	RLM 006	Chapter 6
7)	Donation Received Form	RLM 007	Chapter 6

PART 8 – CLASSIFICATION OF ASSETS

In compliance with the requirements of the National Treasury, the municipality should follow the various standards of GRAP relating to the assets. An item is recognised in statement of financial position as an asset if it satisfies the definition of and criteria for recognition of assets. The first step in the recognition is to establish whether the item meets the definition of asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Assets are classified into the following categories reporting purposes.

1) Property, Plant and Equipment (GRAP 17)

- Land (not held as investment assets)
- Infrastructure assets (assets which are part of a network of a similar assets)
- Community assets (resources contributing to the general well-being of the community)
- Heritage assets (Cultural significant resources)
- Other assets (ordinary operational resources)

2) Intangible Assets (GRAP 102)

- Intangible Assets (asset without physical substance held for ordinary operational resources)
- Are not held for capital gain

3) INVESTMENT PROPERTY (GRAP 16)

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

When accounting for current assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets) Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

4) LAND INVENTORIES (GRAP 12)



- Land Inventories (land or buildings owned or acquired with the intention of selling such property in the ordinary course of business)

To facilitate the practical management of infrastructure assets and Asset Register data, infrastructure assets have been further classified. The recommended classification for all assets are provided in **APPENDIX B**.

The CFO shall ensure that classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.

PART 9 – LAND AND BUILDINGS

- Land and Building comprises any land and buildings held (by the lessee under a finance lease) by the RLM to be used in the production or supply of goods or for administrative purpose and/or to provide services to the community. These assets include building assets such as offices, staff housing, aquariums, cemeteries, clinics, hospitals, game reserves, museums, parks and recreational assets such as tennis courts, swimming pools, golf courses, outdoor sports facilities etc. Land held for currently undetermined future use, should be included in PPE. In this class there is no intention of developing or selling the property in normal course of business

Land and building shall be treated using the cost less depreciation model. Land shall initially be accounted for at cost price, or fair value in case where cost price is not known, and shall not be depreciated. Land on which infrastructure and/or buildings are located shall be listed separately in the land register and not with the infrastructure or building assets.

Land and Buildings shall be recorded under the following main categories:(in **APPENDIX B of Statement of Financial Position**);

- Land
- Buildings

PART 10 – INFRASTRUCTURE ASSETS

- Infrastructure Assets comprised assets used for the delivery of infrastructure based services. These assets are typically including electricity, sanitation, roads and storm water, and water assets.
- The infrastructure Asset Register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits



of minimising the risks of the municipality. An improvement plan stipulating the level of detail and the timing of improvements shall be prepared.

- Infrastructure assets are being valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will be valued at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for the assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and the depreciation methods applied to infrastructure should be reviewed annually, but cost related to such reviews should be measured against benefits derived to ensure value for money.

Infrastructure Assets shall be recorded under the following main categories:(in

APPENDIX B of Statement of Financial Position);

- Electricity Network;
- Roads and Storm water;
- Water and Sanitation

PART 11 – OTHER ASSETS

- Other Assets of RLM include a variety of assets that are of indirect benefit to the communities they serve. These assets include office equipment, furniture and fittings, bins and containers, emergency equipment, motor vehicles, plant and equipment.
- Other asset is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not revalued.

Other Assets shall be recorded under the following main categories:(in

APPENDIX B of Statement of Financial Position);

- Bins and Containers
- Emergency Equipment
- Furniture and Fixtures
- Motor Vehicles
- Office Equipment
- Plant and Equipment



- Specialised Vehicles
- Other Assets

PART 12- INTANGIBLE ASSETS

Intangible Assets will be purchased, or will be internally developed, by the municipality and includes, but are not limited to, computer software, license fees, website development cost and valuation roll.

Intangible asset is stated at cost less accumulated amortisation and accumulated impairment losses. Such asset is amortised over the best estimate of useful life of the intangible asset.

The CFO, in consultation with Directors, shall ensure that all intangible assets are recorded in terms of the municipality's policies.

It is the responsibility of the Head of Information Technology to ensure that all licensed computer software other than operating software is accounted for.

PART 13 – INVESTMENT PROPERTY

Investment assets shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the Municipality's Statement of Financial Position.

Investment asset shall comprise land or buildings (or parts of buildings) or both held by the municipality, as the 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 asset register in the same manner as another asset.

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

The CFO shall ensure that investment assets are recorded in an Investment Property register.



PART – 14 ASSETS TREATED AS INVENTORY

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

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

PART 15 RECOGNITION OF HERITAGE ASSET IN THE ASSET REGISTER

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

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

PART 16 – IDENTIFICATION OF ASSETS

An asset identification system is a means to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are identified using a barcode system by attaching a barcode to each item. Immovable assets shall be identified by means of an accurate description of their physical location.

In exercising this responsibility, every Director/Departmental Head shall adhere to all written directives issued by the Municipal Manager to the Department in question, or general to all Departments, regard the control of or safekeeping of the RLM assets.

As far as practicable, all movable asset shall be bar-coded or uniquely marked.

Directors shall ensure that all the assets under their control are correctly identified.

Directors must ensure that all movable assets are bar-coded.

Immovable assets must be identified using naming and numbering conventions that enables easy location of the assets in the field



PART 17 – PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF ASSETS.

Directors shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the Department in question is promptly reported in writing to the CFO and in case of suspected theft or malicious damage, also to the South African Police Services.

Directors must ensure that directives are adhered to.

- Claims to be reported to the CFO within 48 hours from the date of loss.
- Claims reported later than 48 hours from the date of loss must be accompanied by clear valid reason for late notification.
- Submitted claims must be comprehensive and must have all relevant documents relating to the claim such as a throughout description of the loss, date of loss, sketch of accident driver details, vehicle details, SAPS case details, cover sheet on the relevant person who submitted the claim and contact details. All supporting documents to be submitted with claim, claim form to be signed.

PART 18 – CAPITALIZATION OF CRITERIA: MATERIAL VALUE

- Buildings, Infrastructure, all fixtures and other tangible and non-tangible assets of a non-consumable nature of which the value is R1 000.00 or more, and the normal expected life of which is one year or more will be treated as fixed assets and be capitalised as such; and
- All tangible property with a value of more than R1 000.00 will be funded from a capital budget and included in the fixed asset register.

PART 19 – CAPITALIZATION OF CRITERIA: INTANGIBLE ITEMS

No intangible items shall be recognised as an asset, except that the CFO, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the RLM council that specific development cost be recognised as assets.

PART 20 – CAPITALIZATION OF CRITERIA: REISNTATEMENT, MAINTENANCE AND OTHER EXPENSES.



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

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

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

PART 21 – CAPITALIZATION OF CRITERIA: MAINTENANCE PLANS.

Directors shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000-00 or more is promptly prepared and submitted to the Municipal Manager for approval. The maintenance plans contemplated in this part are subject to budgetary provision in terms of the normal budget process.

Maintenance plan shall be submitted to council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

Directors controlling or using the infrastructure asset in question, shall annually report to the to the Municipal Manager of the extent which the relevant maintenance plan has been complied with, and of the likely effect which any no-compliance may have on the useful operating life of the asset concerned.

The maintenance plans contemplated in this part are subjected to the budgetary provision in terms of the normal budget process.

PART 22 – GENERAL MAINTENANCE OF ASSETS

Directors shall be directly responsible for ensuring that all assets other than infrastructure assets are properly maintained and in a manner, which will ensure that such assets attain their useful life.

PART 23 – USEFUL LIFE OF ASSETS



National Treasury published its Local Government Asset Management Guideline in August 2008 that includes directives for useful lives of assets., but municipalities are allowed to use their judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for particular classes of assets. The calculation of useful life is based on a particular level of planned maintenance.

The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

During annual physical verification the condition of each asset must be reviewed to determine the validity of its remaining useful live as reflected on the asset register. All items identified as being impaired (with remaining useful lives shorter than anticipated as per the assets register) must be reported to the Chief Financial Officer who will implement steps to ensure that the impairments are incorporated in the assets register and reported on as required by the standards of GRAP.

The CFO shall ensure that remaining useful lives, and changes thereof, are properly recorded and accounted for in the Asset Register and general ledger.

PART 24 – RESIDUAL VALUE OF ASSETS

Residual value should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

During annual physical verification the condition of each asset must be reviewed to determine the validity of its remaining residual values as reflected on the asset register.

The CFO shall ensure that residual values, and changes thereof, are properly recorded and accounted for in the Asset Register and general ledger.

PART 25 - DEPRECIATION OF ASSETS

All assets, except land, shall be depreciated over their reasonable useful lives. The residual value and the useful life of an asset shall be reviewed at each reporting date. The depreciation method applied must be reviewed at each reporting date.

Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used during the ensuring financial year.



It is the municipality's current accounting policy to determine depreciation on assets other than land as calculated on cost, using the straight-line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or begin when the asset is used or consumed. Depreciation of the asset should begin when the asset is ready to be used, i.e. the asset in the location or condition necessary for it to be able to operate in the manner it is intended by management. Depreciation of an asset ceases when the asset is derecognised. Therefore, depreciate does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under certain methods of depreciation the depreciation charge can be zero while there is no production.

In the case of intangible assets while being included as an asset, 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 the assets.

Directors must ensure that a budgetary provision is made for the depreciation of the assets under their control in ensuing financial year.

Directors must determine the reasonable useful life of the asset classifications under their control. Deviations from the standards of useful life must be motivated in writing to the Asset Management Committee for approval.

In case of an asset which is not listed in the asset classification list, Directors shall determine a useful operating life, in consultation with the CFO, and shall be guided in determining such useful life by the likely pattern in which the asset's benefits or service potential will be consumed.

The CFO shall ensure that depreciation shall be up to date on a monthly basis and be reconciled between the Asset Register and the General Ledger.

The CFO shall ensure that the residual value, useful life and depreciation method of an asset shall be reviewed at each reporting time.

PART 26 – IMPAIRMENT LOSSES



Asset shall be reviewed annually for impairment. Impairment of asset shall be recognised as an expense. The reversal of previous impairment losses recognised as an expense is recognised as an income.

The CFO shall ensure that impairment losses, or reversals therefore, are properly recorded and accounted for in the Asset Register and the General Ledger.

PART 27 RENEWAL OF ASSETS

Asset renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However, if the service is no longer required, the asset should not be renewed. Asset renewal projection are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

Asset renewal shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

Directors shall ensure that renewals expenditure are correctly budgeted for in the capital budget and expensed against this budget.

Directors must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.

PART 28 – REPLACEMENT OF ASSET

Assets that are replaced shall be written off at their carrying value. The replacement asset shall be accounted for as a separate new asset. All cost incurred to replace the asset shall be capitalised against the new asset. The SCMP will be applied.

Directors shall ensure that replacement expenditure are correctly budgeted for in the budget and expensed against this budget.

PART 29 – TRANSFER OF ASSET

The transfer of assets shall be controlled by the transfer processes in the policy and the Asset Register shall be updated accordingly.

The processes must be followed and apply to all transfer of assets from:

- One Department to another Department;
- One location to another within the same department;



- One building to another; and
- One entity to another.

Directors must ensure that all asset transfer information is passed to the Asset Office.

The CFO shall ensure that a process is in place to capture and record asset transfer data.

Staff of the Municipality, except for duly authorised staff, shall not move rented assets, such as photocopy machines.

No person shall transfer any IT equipment without the knowledge and written consent of the Head: Information Technology.

Directors must immediately report to the asset and insurance office any damages caused to asset and will be held responsible to investigate the cause or nature of such damage.

PART 30 – EXCHANGE OF ASSETS

The SCMP will be applied when assets are exchanged. The cost of assets acquired in exchange for another asset shall be measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash equivalents transferred.

An item of PPE may be acquired in exchange for a similar fair value or may be sold in exchange for an equity interest in a similar asset. No gain or loss recognised in both cases.

The Asset Management Committee shall approve all asset exchange in consultation with the relevant Directors.

PART 31 – DISPOSAL OF ASSET

The MFMA (Section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of asset. Specifically;

- A municipality may not ...” permanently dispose of asset needed to provide the minimum level of basic municipal service”
- Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality’s supply chain management policy.



Directors shall report in writing to the Asset Management Committee on the 28 February and 31 July of each financial year on all assets which they wish to disposal and the proposed method of disposal.

When deciding on a particular disposal method and consideration of the following, the SCMP on disposal of assets must be applied:

- The nature of the asset
 - The potential market value
 - Other intrinsic value of the asset
 - Its location Its volume
 - Its trade in price
-
- Its ability to support wider Government programmes;
 - Environmental Considerations
 - Market Conditions
 - The asset's life

Appropriate means of disposal may include:

- Public Auction
- Public tender
- Transfer to another institution
- Sale to another institution
- Letting to another institution
- Trade-in
- Controlled dumping (for items that have low or are unhygienic)

The CFO shall consolidate the requests received from the various departments, and shall promptly report the consolidated information to the Asset Management Committee or to council, recommending the process of disposal to be adopted.

The Council shall delegate to the Asset Management Committee the authority to approve the alienation of any asset.

The Council shall ensure that the alienation of any asset takes place in compliance with Section 14 of the Municipal Finance Management Act,2004. The Act states that the municipality may not alienate any other asset required to provide a minimum level of service. The municipality may alienate any other asset, provided the municipality has



considered the fair value and the economic and community value to be received in exchange for the asset.

Donation may be considered as a method of alienation, but such request must be motivated to the Asset Management Committee for approval.

Asset that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.

Scrapping of assets that cannot be alienated otherwise may be considered as a method of alienation, but request must be motivated to the Asset Management Committee.

Once the assets are alienated, the CFO shall write-off the relevant assets in the Asset Register.

The letting of immovable property must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the council.

PART 32 – SELLING OF ASSETS

Selling of assets refers to the public sale of municipal assets approved for disposal.

The selling of assets must be within the parameters laid down in the SCMP. Further all assets earmarked for sale is sold by public auction or tender and the following steps shall be followed:

- A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
- In the case of public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and
- In the case of a tender, the prescribed tender procedures of the municipality shall be followed.

Assets earmarked for sale shall be classified as Asset Held-for-Sale in terms of part 14 of this policy and shall not attract any further depreciation. Sold assets shall be written-off in the Asset Register.



A request for asset to be sold must be submitted to the Asset Management Committee for approval. The request must be accompanied by the a list of assets to be sold and the reasons for sale as described in part 30 above.

The council or Asset Management Committee may approve the engagement of auctioneers either on a quotation basis or by tender depending on the goods to be alienated.

Bidders are afforded the opportunity to make an offer on identifiable items. Bids are compared and the highest bidder is awarded the bid.

Once the assets are sold, the CFO shall write-off the relevant assets in the Assets Register.

If the proceeds of sale are less than the carrying value recorded in the asset register, such difference shall be recognised as loss for the department or vote concerned in the Statement of Financial Performance. If the proceeds of the sale, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain for the carrying value of the department or vote concerned in the Statement of Financial Performance.

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

PART 33 – PHYSICAL CONTROL

PART 33.1 PHYSICAL CONTROL / VERIFICATION

All movable assets shall be actively controlled, including an annual verification process.

Movable asset shall have a visible bar code or unique asset marking.

Annual verification of movable assets shall be conducted under the direction of asset office. This procedure will enable the municipality to identify the discrepancies and the dispositions and properly investigate and record the transactions.

Procedure should be established to adequately identify assets owned by others or subject to reclamation by donors.



The Budget and Treasury Office shall co-ordinate and control regularly physical checks, and all discrepancies are to be reported immediately to council.

Register shall be kept for all assets allocated to staff members. The individuals are responsible and accountable for the assets under their control. These registers shall be updated when assets are moved to different locations or allocated to a different staff member to facilitate control and physical verification.

Where a change in person in direct control of equipment takes place, a handing-over certificate shall be completed and signed by both parties concerned and a copy of this certificate must be forwarded to Budget and Treasury Office. If surpluses or deficiencies are found, the certificates shall be dealt as with stock-taking reports.

If for any reason the person from whom the asset is being taken over is not available, the asset controller should assist the person taking over with the checking of the equipment and the certification of any discrepancies.

In case of failure to comply with the requirements of a handing-over certificate, the person taking over shall be liable for any shortages, unless it can be established that the shortages existed prior to their taking over.

Any losses of and damage to equipment, excluding discrepancies at the stock-taking of losses resulting from normal handling or reasonable wear and tear, shall be reported to Council.

Independent checks from asset records shall be conducted to ensure that the assets physically exist, especially those that could be disposed of without a noticeable effect on operations.

Annual physical verification of assets shall be performed to identify items which are damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, written off or disposed off.

All newly acquired assets shall be delivered to / received by the procurement section where the assets will be bar-coded before dispatch to the persons who will be custodians of the assets. Where this is not practicable, the acquired assets must be delivered to the section issuing the requisition and that section must notify the Asset section so that bar-coding or asset marking can be arranged.

PART 33.2 INSURANCE OF ASSETS



Rustenburg Local Municipality
Asset Management Policy

Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All Directors insure that all assets are insured in terms of the policy

Movable assets shall be insured from date of delivery. Directors shall insure that all movable 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 CFO shall annually determine the premiums payable by the

Departments or vote after having received a list of the assets and insurable values of all relevant assets from the Directors concerned.

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

PART 33.3 – SAFEKEEPING OF ASSETS

Directors are, in terms of the employment contract, directly responsible for the physical safekeeping of any asset controlled or used by the department in question.

Asset safekeeping is the protection of assets from damage, theft, and safety risks.

Directors must ensure that safekeeping directives are adhered to.

Malicious damage, theft, and break-ins must be reported to the CFO within 48 hours of its occurrence or awareness. The CFO will inform the Insurance Claims Committee of such occurrence.

The Municipal Manager must report the criminal activities to the South African Police Services.

ASSET MANAGEMENT PROCEDURES



CHAPTER 4 - ASSET MANAGEMENT PROCEDURES

4.1 Introduction

The asset of the Rustenburg Local Municipality (RLM) are used and utilised by and on behalf of millions of people within the boundaries by the employees.

Section 77 and 78 of the MFMA, makes it clear that the top management must assist the accounting officer in managing and co-ordinating the financial administration of the municipality. Further they must ensure that the assets of the municipality are managed effectively, efficiently and economically and that are safeguarded and maintained to the necessary extent.

A manual of tasks is only significant if the task performer knows exactly where he/she fits into the larger picture, both organisationally and in the line of responsibilities.

The RLM decides to install an Asset Management System with bar code facilities, where certain movable assets are physically marked with aluminium bar code labels, to fulfil the requirements of GRAP, which is required by new legislation.

This manual is an explanation of which, how, when and where tasks have to be performed regarding asset control and to give guidance to the performer of tasks on what is expected of him/her.

The Asset Management Manual has to be evaluated continually for sufficiency by the task performers and their seniors. Suggestions to improve the manual have to be canalised from the Department Asset Representatives, hereafter referred to as Asset Controllers. From the above mentioned, it is clear that this manual has to be revised formally at least annually by the Asset Management Section.

In order to utilise each person's creativity and innovation during the performance of this tasks to the maximum, only important tasks and a general description of what they involve, have been included in the manual. However, it is obvious that the manual has to be updated with important task improvements following from creative and innovative thoughts.



Please keep in mind that the main task of asset management revolves around discipline in respect of acquisitions, movement, maintenance and stocking as well as proper accounting.

A completely updated manual of tasks has to be available at all times for auditing and evaluation.

4.2 DEFINITIONS

Assets are items of intangible Assets, Investment Property or Property Plant and Equipment defined in this policy

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

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

To be recognised as an asset, an asset must meet the criteria referred to in parts 16, 17 and 18 below.

An asset held under a finance lease, shall be recognised as a municipal asset, since the Municipality has control over the leased assets.

Accounting officer means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no.117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal System Act 2000 (Act. No 32 of 2000)

Chief Financial Officer (CFO) Means an officer of the municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

Carrying Amount is the amount at which an asset is recognised after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.



Class of property, Plant and Equipment means a grouping of assets of similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

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

Historical Cost, the amount of cost to be recognised for, as an asset and carried forward until the related revenues is recognised.

Critical Assets are assets identified as having a high risk profile in terms of occupational health and safety standards and the consequences of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected.

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

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair Value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

GRAP are standards of generally recognised accounting practice.

Impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Infrastructure Assets are defined as any asset that is part of a network of similar assets. Example are roads, water reticulation schemes, sewerage purification, and truck mains, transport terminals and car parks.

Intangible Assets are defined as identifiable non-monetary assets without physical substance.

Investment Properties are defined as properties (Land or Buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for purpose of resale in future years.



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

MFMA refers to the Government: Municipal Finance Management Act(Act no.56 of 2003).

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

Property Plant and Equipment (PPE) is tangible assets that:

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

Recoverable Amount is the higher of the cash-generating asset's net selling price and its value in use.

Recoverable service is the higher of non- cash generating asset's net selling fair value less cost to sell and its value in use.

Residual Value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If the asset were already of the age and in the condition expected at the end of its useful life.

Useful Life:

- is the period of time over which an asset is expected to be used by the municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

Asset Controller (AC) The official delegated to control and administers the safe keeping of assets. It can be per Department, Unit or Section (number of rooms).

Consumable (minor value items)

- Items with smaller values which normally would be seen as disposable, even if the usability can be longer than a year. These items do not carry a value in the subsidiary register but are included for control purposes.
- Items on the list approved by the Directors but cannot be included in the asset register. (not bar-coded)
- **RLM - Rustenburg** Local Municipality



Small Tools, Small mechanical implements, held in hand, used for working upon something like spanners, screwdrivers.

Sub-Asset, An asset which does not have its own label and which forms part of a next higher assembly, such as an upgrade to pc or a CD writer.

Toolbox is a function available in the asset system that allows for control over the contents of toolboxes and other items that cannot be labelled, for example, cameras or other technical tools. It is not always a tangible toolbox but just a word used to group un-markable assets together. The “toolbox” is therefore the asset in the assets register and not the items recorded in the toolbox, which will not be labelled. It will therefore only have one value for total toolbox. The first digit of the toolbox will always be a “T” followed by a number.

Unique asset number is a number, consist of five characters assigned to a specific movable asset and that appears on the bar code labels that is permanently affixed to the door frame of that room. **N.B: PLEASE DO NOT OVER PAINT**

4.3 PROCEDURES

4.3.1 MAINTENANCE

4.3.1.1 Directives and Procedures – Asset Management

- a) Ensure that this manual is kept up to date and is compiled with at all times to effectively, efficiently and economically manage the assets. (Departments inputs for improvement of the manual should be passed on to **AMS** via the asset controllers.
- b) The manual should, in spite of the periodical updating, be reviewed formally once a year. Any necessary adjustments should be made and forwarded to the relevant parties. However, it is still the responsibility of the asset controllers to ensure that they have the latest version of the manual.
- c) The manual shall be disseminated to all relevant stakeholders within the RLM.
- d) The CFO or his/her nominee shall determine the training needs of various stakeholders with respect to the manual and arrange for appropriate training.
- e) Non-compliance to this Asset Management Policy and Procedures shall be reported to the appropriate level of management for appropriate application of the RLM’s disciplinary procedures.

4.3.1.2 Asset Register

- a) All the assets of the RLM are recorded in the asset register.



- b) They will be two major types of assets recorded.
 - i. Fixed or immovable asset register like buildings, roads, electricity, sewerage and water networks.
 - ii. Movable assets like cabinets, chairs, computers, desks, etc.
- c) It shall be the responsibility of the AMS to maintain, reconcile and update the asset register on a monthly basis in order to ensure that fair value of the RLM'S asset register is reflected.
- d) Individual asset types determined from time to time must be reflected in the Asset Register.
- e) As Directors are responsible for all assets under their control, they must provide the CFO with Asset Accountability Statement as per form "RLM 102" .

4.3.1.3 Control Environment

- a) Ensure that standard documentation for the nomination of asset controllers for asset control (**RLM 101**) is properly completed for each Department.
- b) Ensure that each asset location is provided with **Movable Asset List from the System (Asset Register)** of all the asset dedicated to those locations. (Rooms, etc). The list should be updated when the asset situation changes in the location.
- c) There must be floor plan for each building on which the rooms are clearly marked and numbered.
- d) No alterations to or painting of buildings can commence, without liaison with the Asset Controllers to verify the room numbers and to make sure that the bar codes at the doors are not damaged and control must be exercised to ensure that the unique asset/s and room identification (bar codes) are **NOT PAINTED OVER**.

4.3.2 INCREASE OF ASSETS

4.3.2.1 BUDGET PROCESS

- a) It is expected from each person in the asset control process to have an overall knowledge of the RLM'S budget process.
- b) Help line management of each Department with the preparation of their capital budget.
The following criteria should be met and indicated.
 - i. The intended asset has to be capitalised in accordance with the detail directives.
 - ii. The classification of each movable asset budgeted for, should be indicated.



(In case where there is no existing classification, or there is any uncertainty regarding the classification of an asset, the matter should be discussed with the AMS to obtain clarification on the matter).

- iii. In case where the new asset is the replacement of an existing asset, the unique asset number of the asset that is going to be replaced has to be indicated to enable AMS to link the old and the new assets.
 - iv. Remember that the asset to be replaced must first be written off, before the new asset can be bought.
- c) The following will assist in distinguishing capital and maintenance expenditure.



Capital

- i. Acquiring a new asset.
- ii. Replacing an existing asset.
- iii. Enhancing an existing asset so that a useful life is expanded e.g rebuilding specific vehicles.
- iv. Normal cost of asset built from scratch

It is important to note that property, plant and equipment shall be capitalized at cost. The cost of an asset shall include all expenses necessary in bringing it to its working or its intended use and include purchase price, import duties, non-refundable purchase taxes, site preparation costs, delivery and handling costs as well as professional fees.



Maintenance

- i. Restoring an asset so that it can continue to be used for its intended purpose.
 - ii. Maintaining an asset so that it can be used for the period for which it was intended.
- d) Ensure that all budgeted movable assets are properly broken down in the Department budget documents. This means amongst others that no movable assets can be budgeted for by means of the budget of any projects, e.g the construction of a building or roads.
- e) Scrutinize the summarized capital budget set up by the Finance Department and ensure that:
- i. All movable budgeted for are in the asset register;
 - ii. Classification of assets according to the capital budget agrees to the classification used in the asset register.
 - iii. Unique asset numbers of all assets to be replaced are indicated against the new budgeted assets.

4.3.2.2 Purchase Process



Rustenburg Local Municipality
Asset Management Policy

- a) It is expected of each person in the asset control to have an overall knowledge of the RLM's purchase process.
- b) Ensure that new assets are only bought in accordance with the approved form in triplicate attached, should be reviewed and signed by the Asset Controllers to ensure that the items were budgeted for and that all the information on the form is correct. Asset Controller must keep one copy.

Please note

- i. The new type of desks consists of many different items, which are bought as line items. The desk will eventually only has one bar code and the other items will be taken up as sub-assets.
 - ii. When you buy a PA system with slide, cables and Micro phones etc, it must be in three to four line items although the supplier provides them as a package deal. There are many similar cases.
- c) All assets must be bought a direct order placed at procurement. A copy of form for movable assets or for immovable assets must be completed and also be sent to the Asset Management Section. More than one type of asset can be included in 1 form as long as the same vote number is used.
 - d) The Asset Controller will verify the information given and will return one signed copy to the relevant official, which will serve as authority to proceed with the purchase.
 - e) The Department can then send the requisition together with the signed copy of form or the procurement office. The normal process will continue via the Procurement.
 - f) It is important to keep in mind that the Procurement will in no circumstances issue an order for any capital item to be purchased, unless they are supplied with an authorised form from the asset controller. The staff at procurement will also in circumstances entered into arguments/discussions about what is an asset or not, but will refer all queries to the Asset Management Section if they are of the opinion that goods to be purchased, can be classified as assets.
 - g) In respect of insurance claims, the form must also be completed in fourfold for the assets that are claimed from the RLM insurer to be replaced due to any insured risks, when the insurance claim is reported.
 - i. One copy must be sent to AMS.
 - ii. One copy must be forwarded with the requisition to the buyers/procurement office.
 - iii. One copy must remain with the AC's file.



- h) Ensure that new assets received meet the specifications according to the purchase requisitions. Asset Controllers inspect all new assets received in their Departments/Units to ensure they are according to the purchase documents.
- i) Collect information of new additions in a file and supply the AMS with the information in order for them to update or process additions in the asset register.
- j) **No** purchasing of assets should be financed through the **Operational budget**. Should such purchase takes place, this will immediately be reported to the CFO and appropriation action will be taken against the Department not followed the procedures.
- k) **No** assets should be bought from **petty cash**.

4.3.2.3 Take on of New Assets

Asset Management Section can only correct all new purchases, if the correct information is supplied to them, so please insure that all asset purchases forms reach the AMS at least on or before the **30th of each month**.

- a) Obtain the file with all appropriate source documents – Asset forms from the ACs.
- b) The following tasks should be performed by the various parties:
 - i. Inspect the asset received and ensure they agree with the information on the source documents.
 - ii. Mark the new assets, if applicable with a bar code label and record the room and toolbox number and other information for asset additions in the appropriate document.
 - Assets which can be for practical reasons not be marked with a bar code label or do not need to be marked, must still be recorded in the asset register (Toolbox).
 - iii. Add the new asset to the movable assets list at the back of the door of the room with the date and signature.
 - iv. Use the information on the forms as received from the Asset Controllers to update the Asset register.
- c) Any asset which is not possible to be marked with a bar coded label should be described in detail in the control register. The applicable bar code should be pasted against the description in the asset register.

4.3.2.4 Processing in the Asset Register

- a) At the end of each month the phoenix report of all new asset purchase must be drawn and downloaded in to an excel spread sheet.



- b) Reconciliation must be done between the phoenix, Promise and information records received from Asset Controllers. Add the bar code number, serial number, locations, asset types department code and classifications.
- c) After completion of reconciliation of new assets, uploading the excel file into the Asset management system and run the monthly depreciation for the month.
- d) **In respect of the immovable assets**, Recon will be done on the monthly basis for all additions but the assets/projects will be capitalized or update the register annually once asset/projects are completed.

4.3.3 TRANSFER OF ASSETS

- a) Absolutely no transfer of assets may take place without proper documentation being appropriately filled in and authorised.
- b) The security staff controlling the entrances to the buildings must record details of the assets in a register, which must be signed by the person removing the asset.

4.3.3.1 Internal and External Transfer/movement of Assets

- a) It shall be the responsibility of the transferor and the transferee in conjunction with the Asset Controller/s, to notify the Asset Management Section of such asset movements. Use the forms "RLM 003" (Internal transfers to the RLM locations) or "RLM 203" (External transfer to non RLM locations) to enable the adjustments to be processed in the asset register.

4.3.3.2 Assets going for repairs

- a) To control assets that go for repairs, a room number per repairer/supplier must be created within the same Department; else depreciation ceases for as long as the assets is at the repairer/supplier. Use the repairer/suppliers name as the name of the occupant. Use the asset transfer procedure to move the asset.
- b) In this way, the original room location is still available when the asset is returned. Yet, the physical Location Report will tell you which assets are at which Repairer/Supplier.
- c) Asset sent for repair should be transferred on the system to a new location "awaiting repair" by using the correct documentation (form "RLM 003").
- d) The release from RLM premises form "RLM 203" should also be completed.
- e) A list of the assets that are under the "await repair" location on the asset register should be requested monthly and followed up.



- f) Explanations should be obtained for any items in the “await repair” section for longer than one month.

4.3.3.3 Transfer between the and within the Departments

- a) Obtain the required approvals.
- b) Fill in form .
- c) Take the forms to the asset controller and get the necessary authorisation to transfer the asset/s.
- d) The asset controller will keep one copy, one copy goes to the AMS file, and one copy must accompany the asset and shall kept with the transferred asset and be submitted to the asset controller where the asset will be kept.
- e) The respective asset controller must amend the movable asset list from where the asset was removed as well as where it was placed together with their signature and date.

4.3.3.4 Processing in the Asset Register

- a) For control over completeness, record all forms received from Departments in a control register.
 - i. Update the asset register with the information on form.
 - ii. Ensure that all forms input is completely and accurately recorded in the Asset Register.
 - iii. Print new movable asset list for the rooms affected by the transfer of the assets and distribute them to the Asset Controllers involved, who shall replace the movable assets lists at the back of the doors of the rooms affected.

4.3.4 DECREASE OF ASSETS

4.3.4.1 Write-off of assets

- a) Assets can be write-off when they are missing, obsolete, redundant or stolen. Assets that are missing or stolen must be transferred to the appropriate room numbers for missing or stolen assets. Remember that Department must obtain approval from the RLM Council, for an asset to be written-off and the item number of the resolution must be quoted.



- b) An asset is redundant if it is uneconomical to repair or irreparable or has become useless to that Department.
- c) Departments that have identified the obsolete or redundant assets that are no longer required for a service delivery, must be communicated to other departments through RLM communication office to enable other departments that have a need to utilise such assets, to notify the relevant Department of their need.
- d) Should other departments require such assets, the assets identified cannot be regarded as obsolete/redundant, but must be transferred to the Department in need of such assets.
- e) The responsible asset controller must check the reason for the write-offs are completed on the form in triplicate, for all assets to be written-off.
- f) Application to write-off assets must be done monthly. The relevant forms must be in good time be submitted. To the Asset Management Section for comments and to check the details.
- g) The internal Audit Department must verify the obsolete/redundant assets to be written off. This must be done before the item with details as per item is sent to the department's Portfolio Committee for approval.
- h) The write-offs in any financial year, items (hardcopy and in electronic format) by the Departments, after approval by their portfolios, shall reach the AMS not later than 15th April of each year, to enable the year-end processing to be completed timeously. Losses occurring after the 15th April but before end of the Financial Year must be reported to the Chief Financial Officer immediately.
- i) In respect of insurance claims the Departments must also complete form in triplicate for all assets claimed, to be written off and hand one copy to the Insurance office when the claim is submitted and one copy to the Asset Management Office for comments and to submit an item to RLM council.
- j) When write-off approval is granted, it is the responsibility of the Department to advice Asset Management Section that approval was granted and to attach the resolution.
- k) Only after approval for write off is granted, the obsolete/redundant assets must be taken to stores, only if they have storage space, for safekeeping until the asset can be sold on



auction. A copy of complete form for the for the transfer of movable assets, together with the RLM council resolution must be handed to the Asset Management Section as well as to the stores.

4.3.4.2 Auctions/ Disposals

- a) Tenders for conducting auctions or for disposal of redundant vehicles, equipment and material (either separately or collectively), on an as and when required basis, will from time be approved by the Tender and Procurement Committee.
- b) Auction must be held annually before to dispose obsolete/redundant assets.
- c) The Supply Chain Management must arrange to dispose all the redundant assets after approval by the RLM Council and only after the correct procedures were followed with the auctioneers, which RLM Council has appointed.
- d) The Supply Chain and Stores must determine the auction dates in conjunction with the appointed auctioneer.
- e) The auctioneer must carry out the following:-
 - i. The details of the auction must be advertised in the local newspapers two weeks prior to the auction date.
 - ii. The items must be arranged on the premises where the auction will be conducted.
 - iii. Lot numbers must be allocated and an auction roll must be complied.
 - iv. The conditions of sale must be read out prior to the commencement of the auction, in the presence of all potential buyers.
 - v. Collection of all monies generated during the auction before the assets/goods are removed.
- f) The auctioneer conducting the auction, must carry out the following:
 - i. The total income of the auction must within 5 working days, be paid to the RLM.
 - ii. A statement of total income (Including VAT) of the auction, commission and VAT on commission must be supplied within 5 working days of the auction.



- iii. The auctioneer must commit and bind himself by means of surety, for all the money collected at the auctions and must provide this to the Chief Financial Officer prior to the commencement of the auction.
- iv. The buyers must remove all the auctioned items sold, within three (3) days working days after the auction.
- v. The relevant official of the Chief Financial Officer's office (Supply Chain Management) must submit a summary of the income and expenditure of the auction to the Internal Audit Unit.
- vi. Asset not sold at the auction must be reported to the RLM Council together with the recommendations on how to dispose them.
- vii. The Asset Management Section must be advised of the sale prices, within seven days after the auction.
- viii. Asset Management Section will only finally thereafter remove the asset/s from the assets register.

4.3.4.3 Disposal of Specialised and / or High Valued Items not achieving set Reserve or minimum prices on auctions.

- a) In case where the specialised vehicle or high valued obsolete or redundant items does not achieved a pre determined reserve price on an auction, the following procedure must be followed:
 - i. Withdraw the item from auction.
 - ii. Invite quotations for the item by advertising in local and national news paper.
 - iii. Obtain more than three written quotations from institutions or Companies, which deals with or utilizes similar equipment or vehicles.
 - iv. Obtain approval from the Council.
 - v. Sell the items on the highest bidder.
 - vi. If less than three quotations were obtained, a written motivation should be placed on file for audit purposes indicating the steps taken to ensure that the item was disposed of at the highest attainable price.

4.3.4.4 Estrangement Information



- a) The required information has to be completed by Departments before the assets can be dedicated to Sections (i.e. stores, auction) on standard form in triplicate and one copy be forwarded to Asset Management Section.
 - i. The obsolete/redundant assets can only be sent to the stores, after approval by RLM Council and after form has been completed in fourfold.
 - ii. In case where the missing assets have been reported to public safety department, form has to be completed in triplicate as soon as the case has been closed.

4.3.4.5 Processing in the Asset Register

- a) For control over completeness, record all forms received from departments in control register.
 - i. Appropriate disposal codes must be created.
 - ii. The assets register can only be updated with the information on forms "" and the item, after approval by RLM Council.
 - iii. The write-offs shall be performed in conjunction with the Budget and Financial Management Services to ensure that the source of funding, depreciation, etc. of all write-offs is correctly adjusted and appropriately accounted for.
 - iv. The asset register and control register should be followed up on a monthly basis to ensure that there are no outstanding issues for more than two months.

4.3.4.6 Archiving a Written-off Assets

- a) The information pertaining to assets written off according to the asset register should be once archived once a year (at the end of the financial year book year) to ensure that the information is not lost but can be retrieved at any stage.

4.3.4.7 Missing / Lost Assets

- a) Missing assets report to AMS by relevant Asset Controllers are transferred to the section code "awaiting missing assets". These assets will remain the responsibility of the relevant Department until approved written off is obtained and removed from the assets register. These assets can only be written off once a formal investigation conducted by the Public Safety Department and Internal Audit has been completed and RLM Council has approved their recommendation to write off the assets.



- b) Form must be completed in triplicate and one copy together with the report from Public Safety Department submitted to Asset Management Section. The same procedures will apply as for other write offs.

4.3.5 Verification of Assets

4.3.5.1 Introduction

- a) Assets will annually verified by the Asset Management Section in conjunction with the various Departments, by doing stocktaking (or verification) and quality evaluation. The former involves the scanning of the bar labels affixed to assets and room entrances and the recording (downloading) of such stock, in the assets register as well as verifying unmarking assets to the Consumer Items list – form.
- b) Important information that has to be considered during the stocktaking is as follows:
 - i. The stocktaking of the bar-coded assets are done with handed held terminals and scanners. Changes to the standard programmes are only performed under the direct supervision and control of the Asset Management Section.
 - ii. If the scanner cannot read any bar code label, Asset Management Section has to verify the replacing of the label and to update the assets register with the change.
- c) Verification have to be performed systematically per asset section and room in accordance with the frequency and procedures explained in the verification plan.
- d) The occupants of the various buildings should well in advance be notified of the inspection processes and arrangements must be made that all the rooms be unlocked and where possible the occupants be present. Please also make sure that the assets are in the rooms where they should be. This will ensure saving time.
- e) The verification dates have to be determined in such a way that all assets of the relevant Departments are verified once every financial year before 30 June.

4.3.5.2 Routine Verifications

- a) Routine verifications should be conducted once or twice a year depending on the risk involved.



- b) The person in charge of the verification must do the following:
- i. Ensure that bar coded assets have been scanned and that all assets and items be compared to the movable assets list at the back of the door, before the room is left. This will decrease later follow up work.
 - ii. Ensure that assets scanned or verified are in good working condition. Any uncertainty regarding the quality or working condition of an asset should be recorded for later follow up.
- c) Assets should be evaluated in terms of their :-
- i. Financial performance: Are the assets operating costs / benefits similar to those for other comparable assets?
 - ii. Functionality : Are the assets functions fully utilised or are more advanced upgraded asset functions needed or are there new assets at a cost effective price rendering the current asset not worthy to keep?
 - iii. Physical condition : Is the assets adequately maintained?
 - iv. Utilisation : How intensively is the asset used?
- d) As soon as the verification process is completed, the following standard reports have to be requested and followed up.
- i. Assets on the movable assets list which have not been found during the verification process. Investigate why the items are not located where it should be according to the asset register.
If it was found as part of the scanning in the same building it can be automatically transferred with the approval of the Asset Controller.
Assets that cannot be found after investigation should be reported to the Public Safety Department and be written off in the asset register according to the procedures in this manual.
 - ii. Assets that have been inspected, but do not belong in the room according to the asset register. Corrections must be done and update the asset register immediately. The reason why the assets register was not updated during the movement of the assets must also be obtained.

4.3.5.3 Quality Evaluation



- a) Obtain the standard quality control report for all assets which quality has been evaluated more than two years ago, as well as other assets as required and ensure that the assets register's details per individuals assets are correct.
 - i. In cases where the details are correct, the quality of the asset has to be evaluated. The bar code has to be scanned.
 - ii. In case where some details where some of the details are incorrect, an adjustment must be done in the asset register for correction.

4.3.5.4 Processing in the Asset Register

- a) After completion of scanning the assets, AMS should download all the information to the Asset Register. Comparison between the information per hand held terminal will automatically be system and exception reports should be printed for follow up.
- b) The assets register should be updated with any information revealed during the verification by using the appropriate forms.

4.3.6 Miscellaneous Procedures

4.3.6.1 Non – RLM Assets

- a) Ensure that all assets in use on premises of the RLM, which are not RLM property, are properly recorded in a control register, as these assets cannot be labelled.
- b) These assets can be the private property of an employee temporary hired by the RLM or belong to the Contractor.
- c) The RML will not be held responsible if private property is damaged, lost or stolen on any RLM location.

4.3.6.2 Assets not previously marked

- a) All unmarked RLM assets discovered and which do not represent new purchases in the relevant financial year have to be reported to the Asset Management Section. An investigation has to be done to find asset documentation that will assist in allocating correct information relating to such unmarked assets.
- b) Take the unmarked assets up in the assets register at zero value, in accordance with the guidelines for initial take-on.

4.3.6.3 Overhead Reconciliation

- a) Monthly: Reconcile the asset additions and write-offs in the main ledger with those in the asset register and rectify the reconciling items.



- b) Annually : Summarise the additions and write-offs reconciliations, between the assets register and main ledger of the various departments on 30th June and ensure that the assets register and main ledger reconcile in total.

4.3.6.4 Bar code labels falling from movable assets and / or removed on

Purpose.

- a) As soon as the user notices that a bar code came loose or is missing on one of his/her has to report it immediately to the relevant Asset Controller.
- b) The asset controller has to determine if the bar code has been removed on purpose or not.
- c) If it has been removed on purpose, the asset controller has to determine whom the guilty party is, in order for the departmental head to take disciplinary action against the offender.
- d) In both aforementioned cases (falling off and purposeful removal of bar code, the Asset Controller has to supply the existing asset number of the asset from which the bar code is missing, to the Asset Management to reorder the same unique bar-code replacement.

4.3.6.5 Audit Trail

- a) The audit trail is the trail that can be traced back to determine the initial amount of a recorded asset.
- b) Any change that has been made to the fields of any assets can be determined by means of the audit trail.
- c) Any change that has been made by to the user definable fields can be determined by means of the audit trail.
- d) The aforementioned reports should be requested monthly and be signed by Asset Management Section for accuracy.

4.3.6.6 Answering of audit enquiries

- a) Audit queries with regard to differences between the physical existence of assets and theoretical information on the assets register have to be answered within three days after receipt of the enquiries.

4.3.6.7 Notify the Departments of non-verified assets information after asset count (Differences Between asset register and physical information)



- a) As soon as the routine inspection has been done, the scanned information has to be uploaded into the system.
- b) The reports on which the difference between the physical and asset register appear, have to be requested and the differences followed up.
- c) Any differences which cannot be resolved, have to be brought to the attention of asset management section in a written report in which motivation for the differences are given and decisions to adjust the asset records in the appropriate manner, following correct procedures.

4.3.6.8 Depreciation of Assets

- a) The Chief Financial officer shall apply the classes of assets to be depreciated and method of depreciation to be used as determined by GRAP. The straight-line method of depreciation will be used.

4.3.6.9 Maintenance

- a) The operation or maintenance phase is where the asset is used for its intended purpose. This phase may be punctuated by periodic refurbishment or mayor repair, requiring the asset to be taken out of services for period of time.
- b) The Asset Controller must however put measures in place to maintain the asset over its useful life.

4.3.6.10 Exit Clearance Certificate

- a) The respective Asset Controllers to sign the clearance certificate regarding verification of assets, when an assets users leave the services of the RLM.

4.4 Maintenance of the Asset Register

4.4.1 Information to be Included in the Asset Register

ACQUISITION	IDENTIFICATION & LOCATION	ACCOUNTING	PERFORMANCE	DISPOSAL	ACCOUNTING
- Date	- Asset Classification	- Department	- Capacity	- Date	- Cost



Rustenburg Local Municipality
Asset Management Policy

- Amount	- Asset number	- Custodian	- Performance measures	- Amount	- Funding
- Supplier	- Bar-code	- Restrictions	- Condition assessment	- Capacity	- Useful life
- Reference	- Description	- Ownership	- Useful lives	- Condition	- Remaining useful life
	- Location		- Residual values	- Remaining useful life	- Residual value
				- Residual value	- Depreciation Method
				- Reason	- Impairment
					- Depreciation
					- Accumulated depreciation
					- Book value
					- Disposal

4.4.2 Marking of Assets

- The label must be applied on a side from which the asset is used.
- The label is applied on top right hand side of the asset.
- Avoid side, which could be moved against the wall or other assets.
- Avoid labelling on top of surfaces where damage could occur.
- Label major part of asset not on replaceable drawer or door
- A scanner must be able to read the label with ease; avoid positions where the natural hand scan motion is impaired.

CHAPTER 5



ANNEXURE A

5.1 EXPECTED USEFUL LIVES AND RESIDUAL VALUES

Category	Life
Bins and containers	10
Buildings	8 - 80
Emergency equipment	3 - 5
Furniture and fixtures	5 - 15
Heritage assets	Indefinite
Infrastructure Electricity	5 - 50
Infrastructure Roads and Transport	5 - 100
Infrastructure Sewerage	10 - 70
Infrastructure Water	5 - 70
Intangible assets	3
Investment Property	7 - 40
Land	Indefinite
Land Inventory	Indefinite
Motor vehicles	5 - 15
Office equipment	3 - 7
Other-Library	7
Plant and machinery	2 - 15
Specialised vehicle	7 - 10



RUSTENBURG LOCAL MUNICIPALITY

DRAFT REVISED MUNICIPAL BEREAVEMENT POLICY FOR SERVING AND FORMER COUNCILLORS

1. PREAMBLE

In terms of Section 156(5) of the Constitution and Section 8 (2) of Municipal System Act 2000, the Council has the right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions.

This civic funeral is a funeral in honour of the deceased Councilor or Former Councillor which is arranged by and held under the name of the Council. The family of the deceased Councilor or Former Councillor has the choice of having a civic funeral or not.

2. AIMS AND OBJECTIVES

- 2.1 To provide a framework for the management of the bereavement processes for a deceased municipal Councillor and Former Councillor.
- 2.2 To make provision for the establishment of a sustainable mechanism for the provision of support to the family of a deceased Councillor and a Former Councillor.
- 2.3 To promote good fellowship during the time of need to the bereaved family.
- 2.4 To provide assistance to bereaved families in the event of death of a Councillor and a Former Councillor.

2.1 DEFINITIONS

In this policy, unless the context indicates otherwise –

- 2.1.1 “Councillor” means a member of the municipal council of Rustenburg Local Municipality.

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2.1.2 “Former Councillor” means a former member of the municipal council of the Rustenburg Local Municipality, during the period dating back to the 05 December 2000 amalgamation.

2.1.3 “Council” or “municipal council” means a municipal council referred to in section 157 of the Constitution.

2.1.4 “Bereavement Committee” means a committee constituted and established by the Council.

2.1.5 “Family member” means any individual related by blood or affinity whose close association with the councillor or ex-councillor is equivalent of a family member.

3. SCOPE OF THE APPLICATION OF THIS POLICY

3.1 This policy will apply to ex- Councillors and current Councillors of the Rustenburg Local Municipality.;

3.2 This policy shall not be applicable to (i) current councillors who are serving at the Bojanala Platinum District Municipality; and (ii) former councillors currently serving at the Legislature or Parliament.

3.3 Provisions of this Policy will be binding to the Council, Councillors, Former Councillors and Management of the Municipality.

3.4 Application of this policy shall not be applicable to Employees of the Municipality, spouses and children of serving Councillors or Former Councillors of the Municipality.

4. PRINCIPLES UNDERPINNING THIS POLICY

4.1 This policy is designed to be used as a tool for comforting or consoling the bereaved family of the deceased Councillor or Former Councillor.

4.2 This policy is designed to enhance contents of the social culture in respect of mourning.

4.3 This policy strives to promote the principle of equality and it is intended not to discriminate directly or indirectly against anyone on one or more grounds, including race, gender, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.

4.4 The funeral benefits that are provided in this policy are privileges accorded to the deceased Councilor or Former Councillor and as a result this should not be construed as a right of entitlement to the funeral benefit.

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- 4.5 This is the official policy that governs the privileges to which deceased Councillors or Former Councillors are entitled in the event of death.

5. PROCEDURE

- 5.1 Any Councillor or member of the family of the deceased Councillor or Former Councillor should notify the Speaker and the Single whip of the death of the councilor or former councillor. The Speaker, Single Whip, Executive Mayor and the Municipal Manager may delegate Councillors and Senior Officials to consult with the deceased family in preparation of the funeral.
- 5.2 A special meeting of Council shall be arranged upon the death of a Councillor or former councillor to allow parties represented in the Council to express condolences to the next of kin.
- 5.3 During the Special Council meeting a brief life history of the deceased shall be presented by the Executive Mayor.
- 5.4 The deceased councillor's chair should be draped in black and where possible the enlarged photograph and a bouquet of flowers or a wreath be placed on the table of the deceased councilor in the council chamber.
- 5.5 The family of the deceased and specific guests should be invited to the special meeting and a special seating should be arranged for the bereaved family in the council chamber.
- 5.6 The Speaker, the Single Whip and the Executive Mayor in consultation with the Municipal Manager are authorized to make all necessary arrangements for the funeral in order to give effect to the provisions of this Policy.
- 5.7 The Council shall establish a bereavement committee which shall consist of not more than five (5) Councillors and not more than five (5) municipal officials. This committee shall be chaired by a Councillor.

6. FINANCIAL CONTRIBUTION BY THE COUNCIL

- 6.1 The Council shall bear all the costs to be incurred in the running of the civic bereavement to the maximum amount of R 50 000.00 (Fifty Thousand Rand).
- 6.2 The total amount as approved by Council shall be paid to the family.
- 6.3 Payment for the funeral claims shall be timeously made before the funeral or cremation.

7. ARRANGEMENT OF THE MEMORIAL SERVICE

- 7.1 The Municipality shall arrange a memorial service for paying the last tribute to the deceased Councillor.
- 7.2 Such memorial service shall be arranged in consultation with the family of the deceased Councillor.

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- 7.3 In the case of a political memorial service, the arrangement shall be decided by the Speaker in consultation with the Executive Mayor and the Municipal Manager.
- 7.4 The Preacher of the family choice or the municipality choice shall be arranged at no cost to the municipality.
- 7.5 The memorial service shall be held at a suitable venue chosen by the family and the municipality.
- 7.5. The refreshments may be arranged only for the family members and special guests at the memorial service.

8. FUNERAL ATTENDANCE ARRANGEMENTS CREMATION SERVICES

- 8.1 At the discretion of the family, the family service may take place at the home of the deceased councillor or ex-councillor or hall or at the church. Family or friends or members of the political party may be pall bearers and the members of Public Safety officers shall lead the procession.
- 8.2 At the discretion of the family, the funeral service programme may be facilitated by the programme director chosen by the family.
- 8.3 Depending on the wishes of the family, the deceased may either be cremated or buried.

9. IMPLEMENTATION DATE

This policy shall come into full force and effect upon the acceptance hereof by the Council of the Municipality by resolution.

10. ADMINISTRATIVE UPKEEP OF THE POLICY

The Directorate: Corporate Support Services shall be the custodian of this policy and shall be responsible to review this policy on an annual basis or if the need arises, whichever comes first.

REVISION HISTORY

DATE OF REVISION: _____

REASON FOR CHANGE: _____

EFFECTIVE DATE: _____

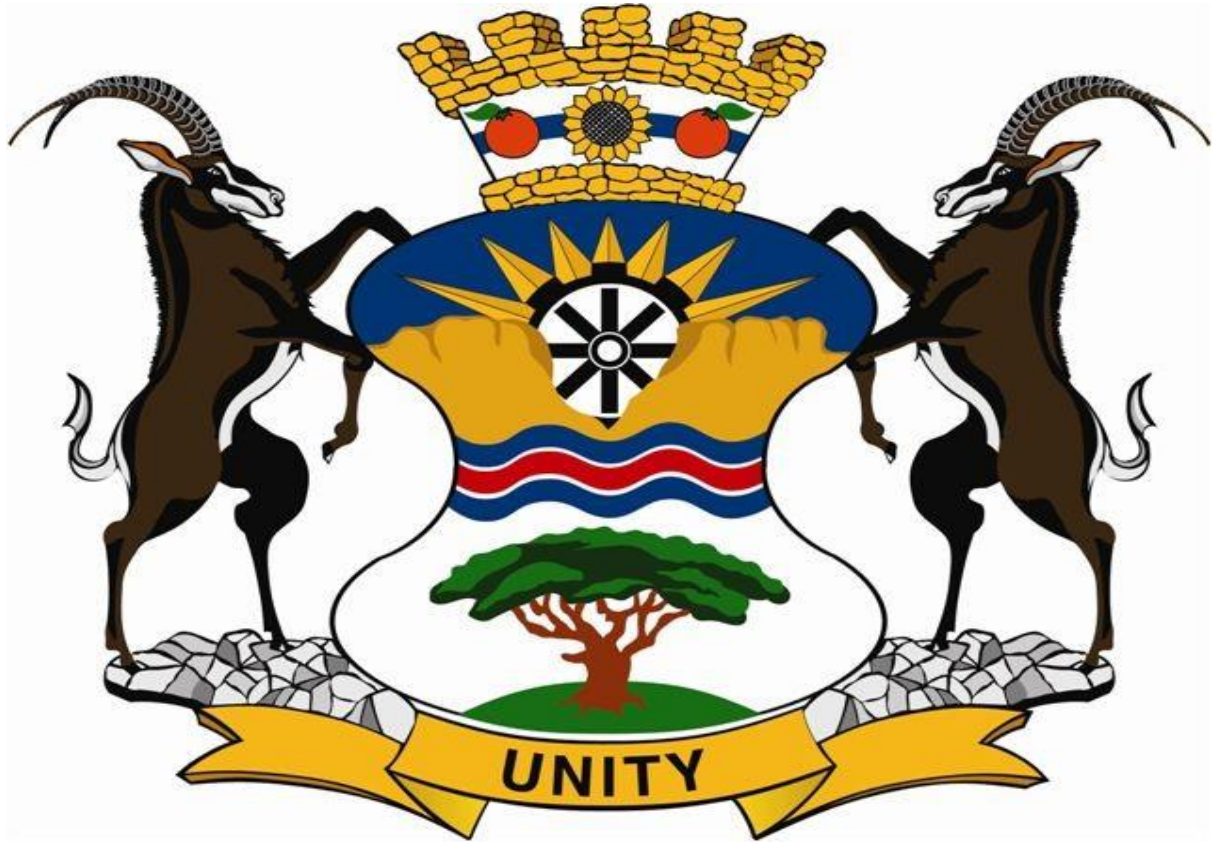
DATE OF COUNCIL _____

AGENDA: VIRTUAL COUNCIL: 25 MAY 2021

APPROVAL: _____

COUNCIL RESOLUTION NO-----

RUSTENBURG LOCAL MUNICIPALITY



BORROWING FRAMEWORK POLICY AND GUIDELINES

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1. Purpose

- (a) To establish a framework and guidelines for the borrowing of funds.
- (b) To ensure compliance with statutory requirements and National Treasury borrowing regulations.
- (c) To ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorised borrowings.
- (d) To outline the appropriate actions of a prudent person standard in the context of managing overall debt.
- (e) To maintain debt within specified limits and ensure adequate provision for the payment of debt and debt repayment to be sustainable.

2. Problem Statement

The Guidelines and Procedures have been written in compliance with relevant legislation, they offer certainty to the debt capital markets thereby ensuring a level of confidence in our municipal fiscal affairs. Consequently, the Municipality has access to a range of funding instruments for the provision of municipal infrastructure. Rustenburg Local Municipality ("Municipality"), in general, seeks to minimise its dependence on borrowings in order to curtail future revenue committed to debt servicing and redemption charges.

The Chief Financial Officer prudently manages interest rate, liquidity and credit risk exposures thereby obtaining the lowest possible interest rate for the Municipality's debt. The debt is taken on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by legislation. They also take into consideration the issues of the time value of money and to optimise the use of the term of the loan.

3. Legislation

The relevant legislation and regulations in terms of which borrowing decisions are governed are as follows:

- **Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) (See Annexure A)**
- **Constitution of the Republic of South Africa Act 108 of 1996 (See Annexure B)**

- **Municipal Regulations on Debt Disclosure (Local Government: Municipal Finance Management Act, Chapter 6) Government Gazette no. 29966, 15 June 2007) effective from 01 July 2007 for a municipality or municipal entity (See Annexure C).**
- **Municipal Finance Management Act No. 56 of 2003 Circular No.71 (See Annexure D)**

Guidelines and Procedures

4. General Approach to Borrowing

4.1.1 The Municipality may incur long term debt for the purpose of:

- (a) Capital expenditure on infrastructure, property, plant or equipment to be used for the purpose of achieving the objectives of local government or
- (b) Re-financing existing long-term debt as permitted.

4.1.2 The Municipality will, in general, seek to minimise its dependence on borrowings in order to reduce future revenue committed to debt servicing and redemption charges.

4.1.2 Borrowings shall be made with care, skill, prudence and diligence.

4.1.2 The Municipality shall maintain the Gearing Ratio to be below 45% and Debt service cost to be between 6% and 8%, in line with the MFMA Circular No.71

4.1.2 The fixing of debt repayments is a crucial consideration in meeting the legal requirements of the Municipality, that of annually producing a balanced budget.

4.1.2 Whilst the period for each loan debt may vary from time to time according to the needs of the Municipality in conjunction with various Lenders, presently the typical debt repayment period for loans is between five to twenty years, closely matching the underlying asset lives serviced by the loans.

4.1.2 Cognisance is taken of the useful lives of the underlying assets to be financed by the debt, and, moreover, careful consideration is taken of the interest rates on the interest yield curve. Should it be established that it is cost effective to borrow the funds on a shorter term (as opposed to the life of the asset) as indicated by the interest yield curve, the loan will be negotiated to optimise the most favourable and cost effective benefit to the Municipality.

4.1.2 There are from time to time various options offered from Financial Institutions which need to be treated on their merits and which could result in slightly lower interest rates being offered.

4.1.2 The Municipality's external borrowings have been mainly sourced from financial institutions amongst others commercial banks and development finance institutions.

4.1.2 Any official involved in the securing of loans by the Municipality must, when interacting with a prospective Lenders or when preparing documentation for consideration by a prospective Investors disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor.

4.1.2 Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

4.1.2 The prospective lenders must be furnished with the following:

- (a) Audited annual financial statements for the preceding three financial years
- (b) The approved annual budget
- (c) The Integrated Development Plan
- (d) Repayment schedules pertaining to existing long term debt

4.1.2 The Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity except on the following conditions:

- (a) The guarantee must be within limits specified in the municipality's approved budget
- (b) The entity is a Municipal entity under its sole control and such guarantee is authorised by the council

4.1.2 Any guaranteed debt must be reflected in the approved business plan of the entity and must be authorised by the Municipality in the same manner and subject to the same conditions applicable to any other borrowings.

4.1.2 Neither the National nor Provincial Government may guarantee the debt of any Municipality.

4.1.2 All loans must be in the name of the Municipality

5. Specific factors that must be considered when borrowing

Surplus funds and external long term debt are used to meet the objectives of the Integrated Development Plan (IDP) which include the service delivery programme, economic and social development and other demands of the changing and growing city.

5.1 The factors to be considered when borrowing are:

- (a) Revenue generating ability of asset
- (b) Type and extent of benefits to be obtained from the borrowing
- (c) Length of time the benefits will be received
- (d) Beneficiaries of the acquisition or development
- (e) Impact of interest and redemption payments on both current and forecasted income
- (f) Current and future capacity of the property tax base to pay for borrowings and the rate of growth of the property tax base
- (g) Likely movements in interest rates for variable rate borrowings
- (h) Other current and projected sources of funds
 - i) Competing demands for funds
 - j) Timing of money market interest rate movements and the long term rates on the interest rate curve

5.2 After taking **a, b, c, d** above into account, the borrowing requirement will be determined by:

5.2.1 Obtaining the total capital budget value – as per IDP and MTERF.

5.2.1 Determining internal funding – the municipality from time to time, will use its surplus funds from operations to fund its capital programmes in order to reduce its reliance on external debt financing, thereby allowing it to borrow only funds from external sources when favourable market conditions prevail

5.2.1 Obtaining the figure for grants to be received – as allocated per national and provincial treasuries

5.2.1 Identifying cash shortages to be financed by external borrowings, after taking into account 5.2.2, and 5.2.3 above.

6. Types of Borrowings

Foreign borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

6.1 Short Term Borrowings

- (a) The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.
- (b) In terms of the Municipal Finance Management Act, incur short term debt only if the Chief Financial Officer has made a prior written finding that the debt is either within prudential limits on short term debt as previously approved by Municipality, or is necessary due to an emergency that could not reasonably have been foreseen and cannot await Council approval.
- (c) The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt.
- (d) Examples of short-term debt are bank overdrafts and commercial paper bills

6.2 Long Term Borrowings

A Municipality may incur long-term debt only in accordance with and subject to any applicable provisions of MFMA, including section 19, and only for the purpose of–

- (a) Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution, including costs referred to in subsection (4) ; or
- (b) Re-financing existing long-term debt subject to subsection (5).

Examples of long-term debt are as follows:

6.2.1 Annuity

- (a) The loan amount, interest rate and repayment period offered by the financial institution are either fixed or variable.
- (b) The calculation of the instalment payable on an annuity basis is simple and straightforward: the instalment of the loan can be repaid usually in equal six monthly instalments over the term of the loan.

6.2.1 Structured Finance Loans

- (a) Structured finance is a service that generally involves highly complex financial transactions offered by many large financial institutions for companies with very unique financing needs.
- (b) (It must be appreciated that before entering into any structured finance contract the Municipality, being a Statutory body, will carefully scrutinise all aspects of the structured finance loan agreement including seeking legal advice both from the Head: Legal and, where necessary, from Senior Legal Counsell to ensure that the Municipality is not participating in a structure which the South African Revenue Service may deem it to be one which leads to tax evasion.
- (c) The Municipality will always adopt a prudent and carefully evaluated approach before entering into structured finance loan agreements
- (d) The Municipality has not entered into any structured loan agreements recently, and in view of the tax implications under the present tax regime it is unlikely that it will enter into structured loan agreements in the near future. The loan amount, interest rate and repayment period offered by the financial institution are either fixed or variable. The calculation of the instalment payable on an annuity basis is simple and straightforward: the instalment of the loan can be repaid usually in equal six monthly instalments over the term of the loan.

6.2.1 Bonds

- (e) A bond is an instrument used by Government, State-Owned Entity and Corporates to raise loan capital on the open market.
- (f) Bond holders have the right to interest, usually paid on a semi-annual basis, and the repayment of the capital amount on maturity. The most critical variable factor in determining bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium.
- (g) The higher the risk attached to a borrower, the higher will be the risk yield investors will demand.
- (h) During its tenure, a bond will trade on the bond market at prevailing interest levels with bond prices inversely related to movements in interest rates.

7. Hedging

- (a) Where the interest rate offered by the financial institution is on a variable basis, an Interest Rate Swap (IRS) may be taken out.
- (b) An IRS agreement will need to be signed with the party agreeing to accept the variable rate and offer the fixed rate to the Municipality.

- (c) An Interest Rate Swap Agreement must comply with the terms set out by the International Swap Dealers Association (ISDA).

8. Credit Rating

The Municipality has a Long-Term and Short-Term National Scale rating, which is reviewed on an annual basis. Currently the credit rating is being provided by Global Credit Rating (GCR).

9. Refinancing

- (a) Section 46 of the Municipal Finance Management Act provides that the Municipality may refinance existing long term debt, if such refinancing is in accordance with the prescribed framework.
- (b) The Municipality may borrow money for the purpose of re-financing existing long-term debt, provided that:
- i. The existing long-term debt was lawfully incurred
 - ii. The re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed
 - iii. The net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing
 - iv. The discount rate used in projecting net present value referred to in the above paragraph and any assumptions in connection with the calculations must be reasonable and in accordance with criteria set out in a framework that may be prescribed.
- (c) No loans will be prematurely redeemed unless there is a financial benefit to the Municipality.

10. Security

- (a) The Municipal Finance Management Act provides that the Municipality may provide security for any of its debt obligations, including the giving of a lien, pledging, mortgaging or ceding an asset, or giving any other form of collateral.
- (b) The Municipality may cede as security any category of revenue or rights of future revenue.
- (c) Some Lenders may require the Municipality to agree to restrictions on debt that the Municipality may incur in future until the secured debt is settled.

11. Security

- (a) Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the Mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt.
- (b) At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered:
 - i. The Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
 - ii. (ii) Invite the Public, the National Treasury and Provincial Treasury to submit written comments or representations to the council in respect of the proposed debt.
- (c) A copy of the information statement must be submitted to Council at least 21 days prior to the meeting to discuss the proposed loan, together with particulars of:
 - i. The essential repayment terms, including the anticipated debt repayment schedule; and
 - ii. (ii) The anticipated total cost in connection with such debt over the repayment period.

12. Provision for Redemption of Borrowings

- (a) The Municipality may set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet repayment on the maturity date of the loan.
- (b) Such sinking funds may also be invested directly with the Lender's Bank.
- (c) The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.
- (d) Use can also be made of guaranteed endowment policies to facilitate the payment on maturity date.

13. Non-Repayment of Borrowings

- (a) The Municipality must honour all its borrowings obligations timeously as the failure to effect prompt payment will adversely affect the raising of future borrowings at favourable costs: failure even by one day, and even if only through

administrative oversight, will have severe repercussions, and may jeopardise the Municipality's favourable credit rating.

(b) In addition to the timeous repayment of the borrowings, the Municipality must adhere to the financial covenants stipulated in the loan agreements and the under mentioned are some examples of typical financial covenant requirements:

- i. furnish the Lender with audited annual financial statements timeously
- ii. long term credit rating not to decline below investment grade
- iii. reporting of material changes in financial position of the Municipality
- iv. Collection rates must not be less than a specified rate
- v. Gearing, debt coverage and cost coverage ratios

14 Borrowing for Investment Purposes not Permitted

While in the past some Municipalities borrowed funds with the sole purpose of investing to earn a return their motive was clearly speculative and the cost of debt almost always more expensive than the return that the Municipality could derive by investing in permitted investments, consequently, as a principle, eThekweni Municipality does not borrow for investment purposes.

15. Other Borrowing Practices

Depending on economic conditions such as the shape of the interest yield curve, the Municipality may borrow in advance of its capital cash flow needs in a given financial year to take advantage of an inverse interest yield curve.

16. Reporting and Monitoring Requirements

Regular reporting mechanisms are in place in order to assess the performance of the borrowing portfolio and to ensure that the borrowings comply with policy objectives, guidelines, applicable laws and regulations.

17. Internal Controls

- (a) The internal control procedure involves Internal Audit and Performance Management, and the Auditor General reviewing and testing the systems of the Finance Department on a regular basis.
- (b) In order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the portfolio.
- (c) Controls deemed most important include:
 - (i) Control of collusion, separation of duties.

- (ii) Custodial safekeeping of loan agreements and contracts.
- (iii) Clear delegation of duties.
- (iv) Checking and verification by senior officials of all transactions.
- (v) Documentation of transactions and repayments.
- (vi) Code of ethics and standards.
- (vii) Procedure manuals.
- (ii) Electronic Funds Transfer limits and a detailed procedure manual for the system.

18. National Treasury and Reporting Requirements

- (a) Of the numerous returns submitted by the Municipality to National Treasury, one such report deals with the Municipality's external interest paid each month.
- (b) Another return, prepared on a quarterly basis, requires the Municipality to itemise all its external borrowings for the quarter ended.

LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

CHAPTER 6 : DEBT

SHORT-TERM DEBT

45 (1) A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act. A municipality may incur short-term debt only when necessary to bridge -

(a) shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or

(b) capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

A municipality may incur short term debt only if -

1) a resolution of the municipal council, signed by the mayor , has approved the debt agreement : and

2) the accounting officer has signed the agreement or other document which creates or acknowledges the debt .

(3) For the purpose of subsection (2) (a.) a municipal council may -

1) approve a short term debt individually ; or

2) approve an agreement with a lender for a short-term credit facility to be accessed as and when required , including a line of credit or bank overdraft facility , provided that -

(i) the credit limit must be specified in the resolution of the council ;

(ii) the terms of agreement , including the credit limit , may be changed only by a resolution of the council ; and

(iii) if the council approves a credit facility that is limited to emergency use , the accounting office must notify the council in writing as soon as practical of the amount , duration and any debt incurred in terms of such a credit facility , as well as options for repaying such debt.

(4) A municipality -

1) must pay off short-term debt within the financial year ; and

2) may not renew or refinance short-term debt , whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

(a) No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection (4)(a).

2) if a lender wilfully extends credit to a municipality in contravention of paragraph (a), the municipality is not bound to repay the loan or interest on the loan .

(6) Subsection (5)(b) does not apply if the lender -

(a) relied in good faith on written representations of the municipality as to the purpose of the borrowing; and

did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

LONG-TERM DEBT

(1) A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of this Act, including section 19, and only for the purpose of—

(a) capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution, including costs referred to in subsection (4) ; or

(b) re-financing existing long-term debt subject to subsection (5).

2) A municipality may incur long-term debt only if —

(a) a resolution of the municipal council, signed by the mayor , has approved the debt agreement ;
and

the accounting officer has signed the agreement or other document which creates or acknowledges the debt .

(3) A municipality may incur long-term debt only if the accounting officer of the municipality-

1) has in accordance with subsection 21A of the Municipal Systems Act—

(i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided ;and

invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt ; and

(b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of -

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost in connection with such debt over the repayment period.

4) Capital expenditure contemplated in subsection (1)(a) may include -

1) financing costs, including -

capitalised interest for a reasonable initial period;

costs associated with security arrangements in accordance with
section 48;

(i) discounts and fees in connection with the financing;

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

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

(b) costs of professional services directly related to the capital expenditure; and

such other costs as may be prescribed.

A municipality may borrow money for the purpose of re-financing existing long-term debt, provided -

(a) the existing long-term debt was lawfully incurred;

the re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;

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

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

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

CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT

A municipality may incur debt only if -

(a) the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value the Rand against any foreign currency;

section 48 (3) has been complied with, if security is to be provided by the municipality

SECURITY

48. (1) A municipality may, by resolution of its council, provide security for -

(a) any of its debt obligations;

(b) any debt obligations of a municipal entity under its sole control; or

(c) contractual obligations of the municipality undertaken in connection with capital expenditure by other persons on property, plant or equipment to be used by the municipality or such other person for the purpose of achieving the objects of local government in terms of section 152 of the Constitution.

A municipality may in terms of subsection (1) provide any appropriate security including

by -

(a) giving a lien on, or pledging, mortgaging, ceding or otherwise hypothecating an asset or right, or giving any other form of collateral;

undertaking to effect payment directly from money or sources that may become available and to authorise the lender or investor direct access to such sources to ensure payment of the secured debt or performance of the secured obligations, but this form of security may not affect compliance with section 8 (2)

undertaking to deposit funds with the lender, investor or third party as security;

agreeing to specific payment mechanisms or procedures to ensure exclusive or dedicated payment to lenders or investors, including revenue intercepts, payments into dedicated accounts or other payment mechanisms or procedures;

ceding as security any category of revenue or rights for future revenue;

undertaking to have disputes resolved through mediation, arbitration or other dispute resolution mechanisms;

undertaking to retain revenues or specific charges, fees, tariffs or funds at a particular level or at a level sufficient to meet its financial obligations;

undertaking to make provision in its budgets for the payment of its financial obligations, including capital and interest;

agreeing to restrictions on debt that the municipality may incur in future until the secured debt is settled or the secured obligations are met; and

(j) agreeing to such other arrangements as the municipality may consider necessary and prudent.

(3) A council resolution authorising the provision of security in terms of subsection (2)(a) -

1) must determine whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of basic municipal services; and

if so, must indicate the manner in which the availability of the asset or right for provision of that minimum level of basic municipal services will be protected.

(4) If the resolution has determined that the asset or right is necessary for providing the minimum level of basic municipal services, neither the party to whom the municipal security is provided, nor any successor or assignee of such party, may, in the event of a default by the municipality, deal with asset

or right in a manner that would preclude or impede the continuation of that minimum level of basic municipal services.

(5) A determination in terms of subsection (3) that an asset or right is not necessary for providing the minimum level of basic municipal services is binding on the municipality until the secured debt has been paid in full or the secured obligations have been performed in full, as the case may be.

DISCLOSURE

(1) Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor -

disclose all information in that person's possession or within that person's knowledge that may be material to the decision of that prospective lender or investor; and

take reasonable care to ensure the accuracy of any information disclosed.

A lender or investor may rely on written representations of the municipality, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

MUNICIPAL GUARANTEES

50. A municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following conditions :

(a) The guarantee must be within limits specified in the municipality's approved budget:

a municipality may guarantee the debt of a municipal entity under its sole control only if the guarantee is authorised by the council in the same manner and subject to the same conditions applicable to a municipality in terms of this Chapter if it incurs debt

a municipality may guarantee the debt of a municipal entity under its shared control or of any other person, but only with the approval of the National Treasury, and then only if-

(i) the municipality creates, and maintains for the duration of the guarantee, a cash-backed reserve equal to its total potential financial exposure as a result of such guarantee; or

(ii) the municipality purchases and maintains in effect for the duration of the guarantee, a policy of insurance issued by a registered insurer, which covers the full amount of the municipality's potential financial exposure as a result of such guarantee.

NATIONAL AND PROVINCIAL GUARANTEES

51. Neither the national nor a provincial government may guarantee the debt of a municipality or municipal entity except to the extent that Chapter 8 of the Public/New Finance Management Act provides for such guarantees.

CHAPTER 8 : RESPONSIBILITIES OF MUNICIPAL OFFICERS

REPORTS AND REPORTABLE MATTERS

MONTHLY BUDGET STATEMENTS

71. (1) The accounting officer of a municipality must no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to end of that month

Actual revenue, per revenue source;

actual borrowing

actual expenditure, per vote

actual capital expenditure, per vote

the amount of any allocations received

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DEFINITIONS

"Allocation", means-

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

"aggregated expense and aggregated revenue ", means- the total income and/or expense which has been adjusted to remove distorting factors which are generally contra entries and are ad hoc, once off. or outside of the control of the Municipality. These include but are not limited to Xstrata's electricity, housing, internal charges, 'below the line' items, the 2010 stadium and other relevant ad hoc items.

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

"Approved budget," means an annual budget-

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

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

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

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

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

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

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

"councillor" means a member of a municipal council;

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

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

"delegation", in relation to a duty or power, includes an instruction or request to perform or to assist in performing the duty and which must be in writing;

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

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

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

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

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

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

"irregular expenditure", means-

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

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

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

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

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

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

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

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

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

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

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

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

"municipality"-

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

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

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

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

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

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

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"official", means-

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

"operating capital"- means

the cash funds required to cater for at least two months operating capital requirements and includes payment of creditors and provision for timing differences in payment of major electricity accounts

"overspending"-

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

"past financial year" means the financial year preceding the current year; **"quarter"** means any of the following periods in a financial year:

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

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

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

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

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

"unauthorized expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

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- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"budget transfer" means the transfer of funds between line items within a vote of the operating budget

"vote" means-

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

"same category of expenditure" means –

- a) Having the same item number or description, e.g. Item number IE00036 or Employee related.

1. PURPOSE OF THE POLICY

The purpose of this policy is to promote sound and sustainable management budgeting in terms of the Municipal Financial Management Act (MFMA), S160 (6) of the Constitution and S 11(3) (h), (m) of Municipal Structures Act (MSA).

The municipality derives its legislative and executive authority to prepare, approve and implement the budget from S11 (3) (h) and (i) of the MSA, which includes the imposing and recovery of rates, taxes, levies, duties, service fees and surcharges on fees

2. BUDGET PRINCIPLES AND PREPARATION

2.1. Appropriate of Funds for Expenditure

The municipality may only incur expenditure in terms of an approval budget and within the limits of the amounts appropriated for the different votes in an approved budget, except where otherwise provided for in the MFMA and supporting regulations.

2.2. Funded Budget

Each annual and adjustments budget shall reflect a surplus and be fully funded, realistic, credible, viable and implementable.

Any unappropriated surplus from previous financial years shall be appropriated, as far as it is not required to finance the operating capital or for other operational purposes, to the municipality's Capital Replacement Reserve (CRR).

Any impending deficit shall be rectified in an adjustments budget. If a deficit arises at the end of a financial year the deficit will immediately be rectified in the adjustments budget for the ensuing financial year, and not offset against any unappropriated surplus carried forward from preceding financial years.

2.3. Budget Guidelines

The Chief Financial Officer shall prepare Budget Guidelines within the timeframe of the Budget/IDP Time schedule which contain the principles, objectives and strategies for the forthcoming budget. These will take cognizance of prevailing economic factors and guidelines issued by National and Provincial Government.

The Budget Guidelines give general direction to the budget process, indicate affordable budget growth and envisaged tariff increases. Within these principles the guidelines will provide the maximum incremental increase for each vote which must be used as the basis of preparation of the budget.

2.4. Budget Allocation and Submission by Directorates

The allocation of budget by the Director must be within the strategic direction of Council and the reviewed IDP and SDBIP.

The budget guidelines provide the allowable budgetary increment for each vote. The Director has the discretion to allocate budget to line-items within the vote, except where the chief financial officer determines provision must be made in terms of the municipality's approved policies, and contractual and statutory commitments. For example, salaries, depreciation charges, finance charges, insurance costs, skills development levies and administrative charges.

The Director shall justify the budget allocation for each vote and line-item. In motivating the allocations, the director will provide appropriate quarterly performance indicators and service delivery targets. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

Each Director must submit their budget within the budgetary guidelines. Submission of budgets which exceed the maximum incremental increase and/or do not provide appropriate evidence of funding for capital projects will not be considered as a submission of the directorate's budget.

2.5. SDBIP and Cash Flow Projections

The SDBIP submitted from each directorate shall include the following components:

- i. Monthly projections of revenue to be collected for each source
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
- iii. Quarterly projections of service delivery targets and performance indicators for each vote
- iv. Ward information for expenditure and service delivery
- v. Detailed capital works plan broken down by ward over three years

Each directorate shall provide a monthly cash flow projection for the by line item level for the operating budget and individually for each capital item. These cash flow projections will be consolidated into the SDBIP.

Draft SDBIP's will be submitted each May to coincide with final budget approval.

2.6. Depreciation and Finance Charges

Depreciation expenses shall be provided for in the operating budget. The cash surplus generated from depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowing. The cash surplus generated by non-loan funded assets will be transferred to the Capital Replacement Reserve.

Depreciation and finance charges shall be charged to or apportioned between the directorates or votes to which the projects relate.

Depreciation and finance charges together shall not exceed 15% of the aggregate expenses in the operating budget of each annual or adjustments budget.

2.7. Impact of Increases on Rates and Tariffs

When considering the annual budget, council will take into account the impact of proposed increases in rates and service tariffs on the monthly accounts of households. The impact of increases will be assessed on a fair sample of randomly selected accounts. The Council will endeavor to limit the average additional impact of an increase to the consumer price index.

If an increase above the consumer price index for a major tariff can be justified, the relevant director will release a press statement prior to budget consultation.

2.8. Aggregate Rate Revenue

The municipality shall strive to maintain the revenue from property rates at not less than 25% of the aggregated revenues.

2.9. Labour Budget

The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and not exceed 30% of the aggregate expenses of the operating budget of the annual or adjustments budget. In applying this principle, the remuneration of political office bearers and other councilors will be excluded from this percentage. Salaries are included in allowable increment limit of each vote.

3. OPERATING BUDGET

3.1. Provision for Accrued Leave

The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and budget appropriately for contributions to the provision in each annual budget.

3.2. Provision for Bad Debts

The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies and realistic collection rates, and

budget appropriately for contributions to the provision in each annual budget and review in the adjustments budget.

3.3. Interest Earned

Interest earned on the municipality's investments shall be budgeted for in the revenue budget and an expense provided for transfer to the accumulated reserve based on the opening investment balance.

3.4. Provision for Maintenance of Fixed Assets

In each annual and adjustments budget there shall be adequate provision for the maintenance of fixed assets in accordance with the fixed asset management and accounting policy. At least 5% of the aggregated expense of each budget shall be set aside for maintenance. This amount includes salary and vehicle costs.

4. CAPITAL BUDGET

4.1. Capital Budget Preparation

Every Director in consultation with the Chief Financial Officer will prepare a draft Capital Budget in respect of the ensuing financial year and a draft Capital Programme for the following two financial years based on the following principles:-

- Year Two of the current Capital Budget shall become Year 1 of the next year's Budget and Year Three of the current Capital Programme shall become Year Two
- New projects may enter the Capital Budget in Year 3.

No capital project will be accepted for inclusion into the budget unless it is accompanied by the projected cost covering all financial years until the project is operational, future operational costs and revenue and cash flow for the project. For a new project to be considered as part of the budget it must be fully motivated and accompanied by a complete project appraisal.

The Capital Budget and Capital Programme shall

(a) indicate separately projects which are -

- committed projects;
- related to maintaining existing services/ infrastructure; O financed by grants and subsidies; and O other projects

(b) include the following in connection with new projects:-

RUSTENBURG LOCAL MUNICIPALITY
Budget Policy

- full motivations, including details of their impact on the operating budget. These projects must be accompanied by a complete project appraisal and life cycle costing.
- a monthly cash flow projection for the first full financial year of a project. The cash flow must differentiate between external payments and internal work performed.
- The status of the project in the Integrated Development Plan and motivation as to how the Integrated Development Plan will be supported.
- Evidence of secured funding for grant projects

(c) indicate projects that have been deleted from the previous programme and the reasons for deletion.

The tabled capital budget of the annual or adjustments budget will be properly balanced in that proposed capital expenses must be matched by funding which is realistic and from secured sources. Grant funded projects can only be included year 1 of the budget if the grant funding and the project's meeting of grant conditions has been confirmed in writing by the granting body.

Before approving a capital project, the Council must consider:

- the projected cost of the project over all the ensuing financial years until the project becomes operational,
- the future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on the operating budget (i.e. on property rates and service tariffs).

Before approving the capital budget of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and other ordinary operational expenses associated with any item on the capital budget.

Significant delays and under spend in implementation of the capital budget will result in reallocation of that budget as part of the adjustments budget.

4.2. Capital Replacement Reserve

The council shall maintain a Capital Replacement Reserve (CRR) for the purpose of financing capital projects and acquisition and replacement of assets. The CRR must be cash backed and before any asset can be budgeted for from the CRR financing must be available within the reserve. If there is insufficient cash in the CRR, transfers must be budgeted for and adjusted.

The reserve shall be established from the following sources of revenue:

- Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Interest on the investments of the CRR appropriated;
- Profit on sale of land
- royalties
- Further amounts appropriated as contributions in each annual or adjustments budget; and
- Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

5. BUDGET ADJUSTMENTS

5.1. Adjustments Budget

The Executive Mayor may table an adjustments budget where:

- There is material under collection of revenue
- To appropriate additional revenue that has become available but only to revise or accelerate spending on programmes already budgeted for
- To authorise unforeseeable and unavoidable expenditure supported by appropriate documentation in relation to the Exemption Report which is approved by the Mayor, Municipal Manager and Chief Financial Officer
- To authorise utilisation of projected savings between votes
- To authorise spending of unspent funds as at previous year within legislative prescripts.
- Budget adjustment of conditional grants funds to purposes within that specified in the relevant conditional grant framework can be done administratively and there must be a confirmation in writing from the relevant granter.
- Budget adjustment of transport can be done administratively to and from different directorates / department. All the request must come from The Director Technical Services and Infrastructure and the final approval of the budget must be done by the Chief Financial Officer.

All recommendations for budget adjustments must contain the financial comment by the Chief Financial Officer prior to consideration by the Mayoral Committee and Council.

Only Council may approve an adjustments budget.

5.2. Virement Process

Budget transfers refer to movement of budget funds between Votes within a Directorate.

All budget transfer proposals must be:

- completed on the appropriate documentation and forwarded to Budget Office for checking and implementation
- the effect of the budget transfer in the next two budget years should be indicated
- signed by the Director responsible for the vote
- approved in line with Council's System of Delegation *<Council resolution to accompany approval of policy>*.

Approval of budget transfers in the Operating Budget:

- are recommended by the Director for final approval by the Chief Financial Officer

Expenditure may only be committed or incurred after final approval.

The allowable percentage, number and amount of budget transfers per vote and per directorate will be reported to the Management on a monthly basis.

Projected cash flows in the SDBIP must be adjusted in line with budget transfers.

The following restrictions apply to budget transfers:

- Virement should not be permitted in relation to the revenue side of the budget;
- Virement between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management;
- Virement from the Capital Budget to the operating budget should not be permitted;
- Virement towards personnel expenditure should not be permitted;

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- Virement to or from the following items should not be permitted: Bulk purchases, debt impairment, interest charged, depreciation, grants to individuals, revenue foregone, insurance and VAT;
- Virement should not result in adding new projects to the Capital Budget;
- Virement of conditional grants funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted;
- Virement must be allowed within the same directorate.
- Virement on capital project for the same group of assets must be allowed (e.g. Fleet).
- No (Virement may be made where it would result in over expenditure of a line item
- If the budget transfer relates to an increase in the work force establishment, then the required approval processes and Council's existing recruitment policies and procedures will apply.
- **Virement** from the following categories can only be undertaken by the Chief Financial Officer, and) it must be within the relevant vote:
 - Salaries and allowances
 - **No virement should be allowed on protective clothing, shift allowance, temporary workers and overtime.**
 - Depreciation
 - Capital Costs (Interest and Redemption)
 - Appropriations
 - Contributions to Funds
 - Administration Costs
 - Municipal Rates and Services (Rates, Water, Electricity, Refuse and Sewerage)
 - Bulk services
- An approved Virement does not give expenditure authority, and expenditure resulting from approved Virement is subject to the supply chain management policy of Council
- Virement may not be made across Directorates (e.g LED to BTO)
- **Virement may not be approved within the first three months of a financial year.**

6. UNSPENT FUNDS / ROLL OVER OF BUDGET

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, except for funds relating to capital expenditure appropriated in terms of S19 of the MFMA that are committed to identifiable projects.

Unspent conditional grants may be rolled over to the next financial year only if National Treasury has confirmed in writing whether or not the municipality may retain as a rollover any unspent funds because they are committed to identifiable projects. Conditions of the grant fund shall be taken into account in applying and approving rollover of funds.

Application for rollover of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May. When applying to rollover the unspent funds, the directorates must supply Budget Office with the following information:-

- Details of each of the projects to which funds are committed;
- A progress report on the state of the implementation of each projects;
- The amount of funds committed to each project, and the conditional allocation from which the funds come from; and
- An indication of the time-period within which the funds are to be spent.

Requests for rollover of funds after 15 April will not be considered.

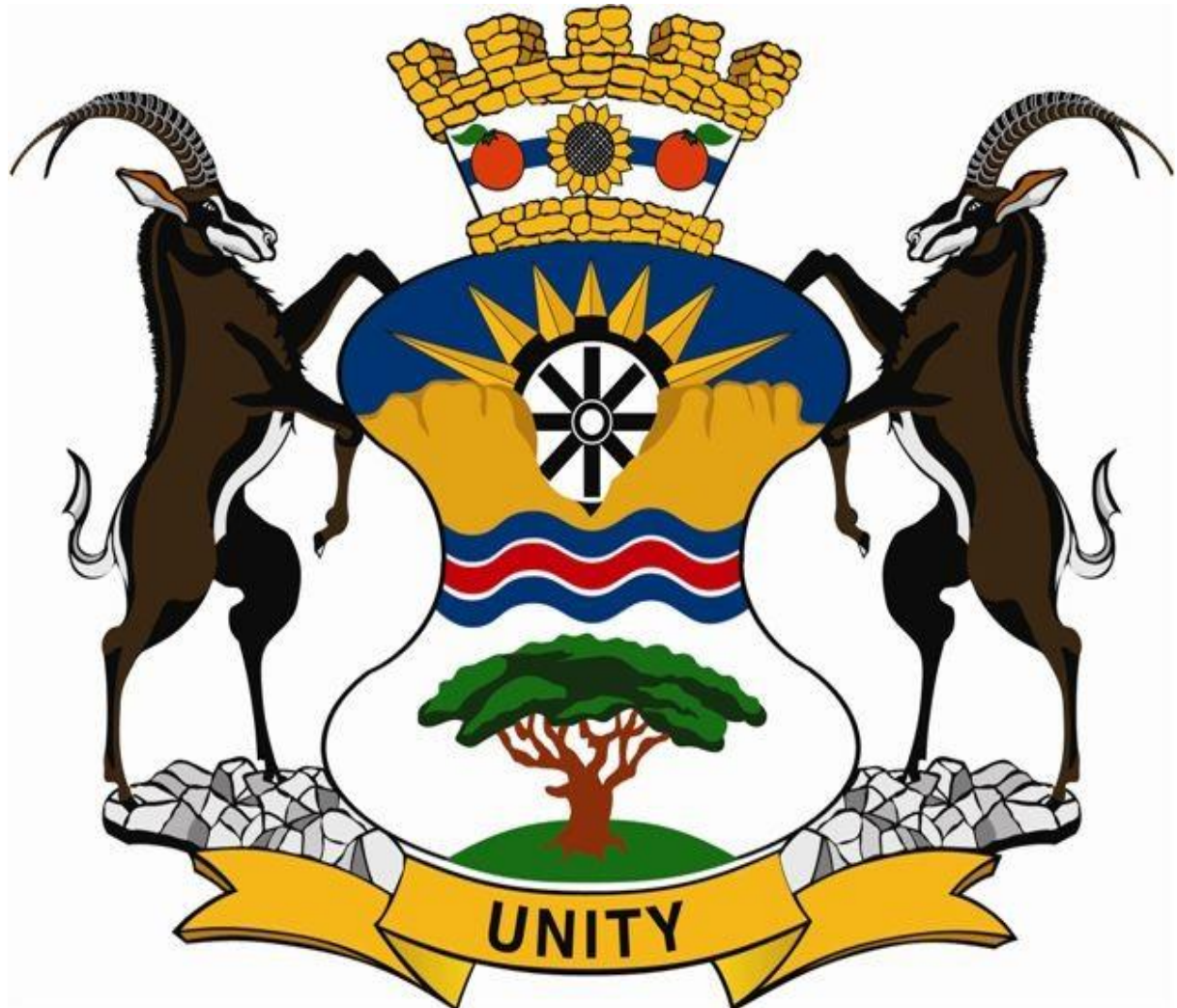
The budget for the current financial year will be reduced by the amount of the rollover required for the next financial year. Only existing projects can be rolled over and no new projects can be created.

There can be no rollover of operating budget. Any operational grants that are anticipated to be unspent at year end should be provided for in the new budget at the time of preparation.

Minor adjustments to the rolled over budget (to a maximum of 10% per project) shall be done during the first budget adjustment in the new financial year after taking into account revised expenditure up to the end of the previous financial year.

RUSTENBURG

LOCAL MUNICIPALITY



CASH MANAGEMENT AND INVESTMENT POLICY

PREAMBLE

WHEREAS section 13 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”) determines that the Rustenburg Local Municipality (hereafter “the Municipality”) must within the prescribed legislative framework:

- (a) conduct their cash management and investments; and
- (b) invest money not immediately required.

AND WHEREAS in terms of section 13(2) of the MFMA, the Municipality must establish an appropriate and effective Cash Management and Investment Policy in accordance with the prescribed framework.

AND WHEREAS Councillors and officials as trustees of public funds, have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible.

AND WHEREAS all investments made by the Municipality must be in accordance with the Local Government: Municipal Finance Management Act, Municipal Investment Regulations (hereafter “the Regulations”) promulgated in terms of the MFMA and in accordance with the Cash Management and Investment Policy of the Municipality.

NOW THEREFORE the Municipality adopts the following Cash Management and Investment Policy in compliance with the provisions of the MFMA and Regulations and to be known as the Cash Management and Investment Policy (hereafter “this policy”).

THE RUSTENBURG LOCAL MUNICIPALITY

CASH MANAGEMENT & INVESTMENT POLICY

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1. DEFINITIONS

- (1) In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words and expressions to which a meaning has been assigned in terms of the provisions of the MFMA, Systems Act and Regulations, will have a corresponding meaning assigned thereto in terms of the said act. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“Accounting Officer”	Means the Municipal Manager appointed in terms of section 60 of the MFMA.
1.2	“accrued interest”	Means interest income that has been earned but not yet paid in cash.
“C”		
1.3	“Chief Financial Officer”	Means a person designated in terms of section 80(2)(a) of the MFMA.
1.4	“Council”	Means the municipal council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution of the Republic of South Africa.
1.5	“credit rating”	Means a financial indicator to determine credit worthiness to be considered potential lender or investor.
“I”		
1.6	“investee”	Means an institution with which an investment is placed, or its agent.
1.7	“investment”	Means in relation to funds of the Municipality:

		<p>(a) the placing on deposit of funds of a municipality with a financial institution; or</p> <p>(b) the acquisition of assets with funds of a municipality not immediately required with the primary aim of preserving those funds.</p>
1.8	“investment manager”	<p>Means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, Act 55 of 1989 and Stock Exchanges Control Act, Act 1 of 1985, contracted by a municipality or municipal entity to:</p> <p>(a) advise it on investments;</p> <p>(b) manage investments on its behalf; or</p> <p>(c) advise it on investments and management investments on its behalf.</p>
“L”		
1.9	“liquidity”	Means the ease with which an asset can be turned into cash and the certainty of the value it will fetch.
1.10	“long term investment”	Means an investment that matures in more than 1 (one) year, generally made over a period of 5 (five) years or more.
“M”		
1.11	“market value”	Means the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
1.12	“Mayor”	Means, in terms of the provisions of section 1 of the MFMA, in relation to a municipality with an executive mayor, the councillor elected as the executive mayor of the municipality in terms of section 55 of the Structures Act.

1.13	“Municipal Finance Management Act” or “MFMA”	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.14	“Municipality”	<p>Means the RUSTENBURG LOCAL MUNICIPALITY a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <ul style="list-style-type: none"> (a) its successor in title; or (b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality’s duties, functions and powers; or (c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.
1.15	“Municipal Manager”	Means the Municipal Manager and Accounting Officer of the Municipality appointed in terms of the provisions of section 54A of the Systems Act and as referred to in the definition of “Accounting Officer” in section 1 of the MFMA, and also

		referred to in section 60 of the MFMA, and includes a person acting as an Accounting Officer, or the person to whom the Accounting Officer has delegated his/her authority to act.
“R”		
1.16	“Regulation”	Means the Local Government: Municipal Finance Management Act, Municipal Investment Regulations, promulgated in terms of the MFMA and published in Government Gazette No 27431 of 1 April 2005 under Government Notice R.308.
“S”		
1.17	“Short term Investment”	Means an investment with a maturity date of less than 1 (one) year.
1.18	“Structures Act”	Means the Local Government: Municipal Structures Act, Act 117 of 1998.
1.19	“Systems Act”	Means the Local Government: Municipal Systems Act, Act 32 of 2000.
“T”		
1.20	“the/this policy”	Means the Cash Management and Investment Policy of the Municipality as adopted by the Municipality in terms of section 13(2) of the MFMA.
1.21	“Trust money”	Means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the MFMA.

2. INTRODUCTION

- (1) As trustee of public funds, the Council has an obligation to ensure that all investments are made by the Municipality in the most efficient and effective manner.

- (2) Money invested must be for the benefit of the whole of the community and must be governed by the principle objective to maximise returns from authorised investments, consistent with the secondary objective of minimising risk.

3. LEGISLATIVE CONTEXT

- (1) This policy is established in terms of section 13(1) and section 13(2) of the MFMA which requires that the Municipality establish an appropriate and effective Cash Management and Investment Policy within which the Municipality must:
 - (a) conduct its cash management and investments; and
 - (b) invest money not immediately required in accordance with any framework which may be prescribed by law.
- (2) In addition, the Regulations set out the framework within which all municipalities shall conduct their cash management and investment. The said regulations are annexed to this policy as **Annexure “A”**.
- (3) This policy is consistent with the MFMA, the aforementioned gazetted framework and section 60(2) of the Systems Act.
- (4) The Municipality shall at all times manage its banking accounts and investments, as well as implement this policy in compliance with the provisions of and the prescriptions made by the Minister of Finance in terms of the MFMA.

4. ADOPTION AND COMMENCEMENT OF THIS POLICY

- (1) The Municipality shall adopt this policy which is consistent with the provisions of paragraph 3 above.
- (2) All investments made by the Municipality or an investment manager on behalf of the Municipality must be in accordance with this policy and with any investment regulations promulgated by National Government.
- (3) The effective date of this policy or any amendments thereto shall be the date of its adoption by Council.

5. PURPOSE OF THIS POLICY

The purpose of this policy is to secure the sound and sustainable management of the Municipality's surplus cash and investments.

6. SCOPE OF THIS POLICY

- (1) This policy prescribes the manner in which the Municipality must conduct its cash management and investments. This policy further prescribes the obligations and the accountability of the Municipality as a trustee of public funds, and that cash resources are managed as effectively as possible by ensuring that such funds are invested with great care.
- (2) This policy aims through effective cash flow management, having regard to legislative provisions, at gaining the highest possible return without undue risk to the investment during those periods when funds are not required.
- (3) The policy governs the investment of money not immediately required by the Municipality for the defrayment of expenditure.

- (4) This policy applies to all new and existing investments made by:
 - (a) the Municipality;
 - (b) all investment managers acting on behalf of the Municipality in making or managing investments.
- (5) This policy does not apply to trust moneys administered by the Municipality where it is prescribed in the trust deed how the trust money is to be invested.

7. OBJECTIVES OF THIS POLICY

- (1) To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments.
- (2) To ensure that investment of surplus funds of the Municipality forms part of the financial system of the Municipality.
- (3) To create consistency in that the same procedure is followed in respect of each investment so as to conform to the requirements of transparency, equitability and fairness. In each case the preservation and safety of investments is a primary aim.
- (4) To promote and ensure the need for investment diversification of the Municipality's investment portfolio across acceptable investees permitted types of investments and investment maturities.
- (5) To ensure the liquidity needs of the Municipality are duly discounted and provided for.

- (6) To ensure timeous reporting of the investment portfolio as required by the MFMA and in accordance with the Generally Recognised Accounting Practice (GRAP) and as required by the National Treasury.
- (7) To establish a minimum acceptable credit rating and requirements for investments including:
 - (a) a list of approved investment types that may be made, subject to the provisions of this policy; and
 - (b) a list of approved institutions where or through which investments may be made, subject to the provision of this policy.
- (8) To provide measures for ensuring implementation of this policy and internal control over, investment made as well as procedures for reporting on and monitoring of all investments made procedure for benchmarking and performance evaluation.
- (9) To provide the assignment of roles and functions, any delegation of decision-making powers including the conditions for the use of investment managers, and their liability in the event of non-compliance with the provisions of this policy.
- (10) To provide the procedures for the annual review of this policy.

8. PERMITTED INVESTMENT TYPES

- (1) The Municipality shall only invest funds in any of the following investment types as set out and referred to in regulation 6 of the Regulations, being:
 - (a) securities issued by the National Government;

- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, Act 94 of 1990;
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, Act 45 of 1984;
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, Act 46 of 1984;
- (f) banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, Act 94 of 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) repurchase agreements with banks registered in terms of the Banks Act, Act 94 of 1990;
- (i) municipal bonds issued by another municipality; and
- (j) any other investment type as the Minister of Finance may identify by regulation in terms of section 168 of the MFMA, in consultation with the Financial Services Board.

9. PROHIBITED INVESTMENTS

- (1) The Municipality shall not be permitted to make the following investments:
 - (a) investments in listed or unlisted shares or unit trusts;
 - (b) investments in stand alone or derivative instruments;
 - (c) investments denominated in, or linked to, foreign currencies;
 - (d) investments in market linked endowment policies.
- (2) The Municipality shall not borrow funds for the purposes of investing, as stated in terms of the Borrowing Policy of the Municipality.

- (3) Any investment in capital or money market instruments shall be held until maturity. The Municipality shall not buy or sell these instruments, to speculate with a view to making capital profits.

10. STANDARD OF CARE

- (1) The Municipality must take all reasonable and prudent steps consistent with, and according to the provisions of this policy to ensure that it places its investments with credit-worthy institutions. The international rating given should be used to evaluate the creditworthiness of financial institutions.
- (2) The investment shall be made with the judgement and care, under the prevailing circumstances, which a person of prudence, discretion and intelligence would exercise in the management of his/her own affairs, not for speculation, but for investment, and with primary regard to:
 - (a) the safety of its capital;
 - (b) the liquidity needs of the Municipality; and
 - (c) the probable income or return derived from the investment.

11. DELEGATION OF INVESTMENT PORTFOLIO MANAGEMENT

- (1) The authority to make investments and fulfil all functions related herein is in terms of section 59 of the Systems Act delegated by the Council to the Chief Financial Officer who will exercise his/her power, function and duty to make investments on behalf of the Municipality within a policy framework determined by the Minister of Finance and in accordance with the provisions contained within this policy. This power may not be sub-delegated.

- (2) The Chief Financial Officer shall make invitation and selection of competitive bids or offers from a list of approved institutions to make short-term investments as and when necessary.
- (3) The Chief Financial Officer shall invite bids or offers from a list of approved institutions, in accordance with the applicable provisions of the Supply Chain Management Policy of the Municipality, and make investments in consultation with the Municipal Manager in respect of the long-term investment of funds.

12. REPORTING AND MONITORING

- (1) The Accounting Officer, assisted by the Chief Financial Officer, shall in terms of section 71 of MFMA submit, on a monthly basis, a report describing in accordance with Generally Recognised Accounting Practice (GRAP) the investment portfolio of the Municipality as at the end of the month and such report shall contain at least the following particulars:
 - (a) the market value of each investment as at the beginning of the reporting period;
 - (b) any changes to the investment portfolio during the reporting period;
 - (c) the market value of each investment as at the end of the reporting period;
 - (d) applicable interest rates; and
 - (e) fully accrued interest or yield for the reporting period.
- (2) There shall at all times be transparency, equitability, fairness and accountability in respect of every investment made and of the Municipality's investment portfolio. In this regard, details of all investment must form part of the monthly financial report by the Accounting Officer to the Mayor and the provincial treasury.

(3) There shall at all times be regular reporting mechanisms in place in order to assess the performance of the investment portfolio and to ensure that the investments comply with policy objectives, guidelines, applicable laws and regulations.

(4) The following investment reports shall be prepared:

(a) For the Chief Financial Officer:

- (i) a daily summary of current investments for all Investees;
- (ii) a detailed schedule of investment capital and interest maturing on the current day;
- (iii) a daily summarised schedule of future maturities for all investments;
- (iv) a monthly reconciliation of all interest accrued and interest received;
- (v) each month, the weighted average actual return earned on investments for the month, together with a comparison to the previous 3, 6, 9 and 12 months, shall be calculated on a nominal annual compounded monthly basis and benchmarked against rates of return offered by other institutions.

(b) For the Mayor:

A monthly investment portfolio report (in accordance with the Generally Recognised Accounting Practice) to be submitted to the Mayor by the Accounting Officer, within 10 (ten) working days of the end of each month, as part of the section 71 report required in terms of the MFMA, detailing:

- (i) the market value of each investment as at the beginning of the reporting period;
- (ii) any changes in the investment portfolio during the reporting period;

- (iii) the market value of each investment as at the end of the reporting period; and
 - (iv) fully accrued interest and yield for the reporting period.
- (c) For Council:
 - (i) the Accounting Officer must table a quarterly report to Council within 30 (thirty) days after the end of each quarter on the cash withdrawals from the Municipality's bank account for investment purposes.
- (d) For the Auditor-General:
 - (i) all investees shall, within 30 (thirty) days after the end of the financial year, notify the Auditor-General, in writing, of all investments held by them for and on behalf of the Municipality during that year, including the opening and closing balances of that investment in that financial year; and promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor General;
 - (ii) within 90 (ninety) days after opening up any new bank account, the Municipality shall notify the Auditor-General and the provincial treasury of the name, type and number of any new bank account opened by the Municipality; and annually before the start of a financial year, the name of each bank account where the Municipality holds a bank account, and the type and number of the account.
 - (iii) all banks, where the Municipality, at the end of a financial year holds a bank account or held a bank account at any time during a financial year, must –
 - a) within 30 days after the end of that financial year notify the Auditor-General in writing of such bank account including –
 - (i) the type and number of the account; and

- (ii) the opening and closing balances of that bank account in that financial year; and
- b) promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

13. DIVERSIFICATION

No more than 50% of the total investment portfolio may be invested with a single institution, except with the prior authorisation of Council.

14. COMPETITIVE SELECTION PROCESS AND INVITATION FOR QUOTATION

- (1) No investments may be made without obtaining quotations from at least 3 (three) institutions or investees permitted in terms of this policy, for the terms for which the investment is to be placed.
- (2) The selection of an investee for any investment shall be a competitive process in terms of the Supply Chain Management Policy of the Municipality.
- (3) In the event of one or more of the investees offering a more beneficial rate for an alternative term, the other investees who previously quoted or invited to quote shall be approached for their rates on the alternative term.
- (4) Written confirmation of the terms of the investments shall be prepared and signed with the investee in all cases.
- (5) Save where other considerations or factors as provided in this policy apply the best rate offered shall secure the investment.

15. CONTROL OVER INVESTMENT(S)

- (1) Proper records should be kept of all investment made. At the very least the following facts should be indicated for each investment: the institution, the funds, the interest rate and the maturity date.
- (2) Interest correctly calculated should be received timeously together with any distributable capital.
- (3) Investment documents and certificates shall be kept in a locked and fire-resistant safe.
- (4) The Chief Financial Officer is responsible for ensuring that the invested funds are reasonably secure and should there be a measure of risk, such risk must be rated realistically.
- (5) All investment made must be in the name of the Municipality and recorded as such by the Investee.
- (6) The responsibility and the risk arising from any investment vests in the Municipality.

16. INVESTEE LIMITS

- (1) Maximum investment levels shall be set for each approved Investee and these limits shall not be exceeded at the time of making the investment.

- (2) The investment limit per deposit taking institution shall be calculated using the balance sheet figures obtained from the individual Investee's Reserve Bank DI900 return and taking into account:
 - (a) 5% of total equity divided by total assets multiplied by total deposits;
 - (b) the ratio of the individual limits per Investee, calculated above, as a percentage of the total limits, shall then be applied daily to the actual funds invested and available for investment. In this way a daily investment limit, as per the calculated ratio, shall be determined per Investee for any given level of total actual investments.
- (3) Investee limits and ratios based on the above formulae shall be revised annually or as required upon the addition or deletion of an institution to or from the list of approved deposit taking Investees.
- (4) The Municipality shall only invest with Investees having, as applicable, an investment grade rating of A.1 or better for short term investments and an A or better rating for long term investments from a nationally or internally recognised credit rating agency.
- (5) The Municipality shall ensure that it places its investments only with credit-worthy Investees. The credit worthiness of every Investee shall be monitored throughout the year on an ongoing basis.
- (6) Any additions to or deletions from the list of approved Investees or any changes to the investment limits assigned to each Investee shall be approved by the Chief Financial Officer in consultation with the Accounting Officer.

17. ELECTRONIC FUNDS TRANSFER

- (1) Investments shall be made by electronic transfer.

- (2) Strict segregation of duties shall be maintained in respect of the creator of the payment and the payment authoriser.
- (3) Investment payments shall be authorised by the Chief Financial Officer.

18. EFFECTIVE CASH MANAGEMENT

- (1) In order to ensure adequate and efficient cash management of the Municipality, the Chief Financial Officer must establish and implement at all times a cash management plan and reports which entails at least the following:
 - (a) daily cash flow reporting shall be prepared as follows:
 - (i) a summary of the preceding day, and month date, closing bank account and investment balances, cash receipts, payments and inter-bank transfers;
 - (ii) a detailed schedule of investment capital and interest maturing on the current day;
 - (iii) a summarised schedule of daily investment maturities for all existing investments;
 - (iv) a summary of daily cash receipts and payments, actual against forecast for the month to date; and
 - (v) a daily projection of cash receipts and payments through to the end of the current month;
 - (b) monthly reporting showing:
 - (i) comparisons of actual cash flow with forecast, current month and year to date;
 - (ii) an explanation of any variances in sub-paragraph (i) above;

- (iii) updating the estimates on a monthly basis and in reporting provides comments or explanations regarding any significant cash flow deviation in any calendar month;
 - (iv) a summarised monthly projected cash flow over the next 12 (twelve) months;
 - (v) an analysis of actual year to date cash receipts and payments and projected cash flows for the remaining months of the current financial year to be submitted to National Treasury; and
 - (vi) the cash backing of statutory funds and reserves balances at the end of the month;
 - (c) every quarter preparing a revised detailed cash flow projection for the next 12 (twelve) months;
 - (d) regular reports indicating, when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when, if applicable, either long-term or short-term debt must be incurred; and
 - (e) preparing annually
 - (i) the annual estimates for the budget year of the municipality's cash flows per revenue sources divided into calendar months;
 - (ii) the annual cash flow budget for the new financial year.
- (2) The Chief Financial Officer shall ensure regular and effective cash flow monitoring and forecasting which is essential for determining the timing and size of cash surpluses and deficits affecting investment decisions.
- (3) The balance on the Municipality's current account shall be maintained at the minimum required level taking into account the day to day cash and expenditure requirements of the Municipality. Surplus cash shall be immediately invested in order to maximise interest earnings.

19. CASH COLLECTIONS

- (1) All monies due to the Municipality must be collected as soon as possible and banked in a controlled and secure manner, on a daily basis as cash left in the safe can pose a security risk, necessitate additional insurance coverage and does not earn any interest.
- (2) All cash shortages should be paid for immediately and banked to the municipal bank account the next business day.
- (3) All surpluses should be recorded and banked to the municipal bank account and will be forfeited if not claimed after 3 years.
- (4) Special deposits should be arranged for the larger amounts received to make sure that these are banked on the same day that they are received.
- (5) It is essential that all amounts owed to the Municipality be levied by way of a debit and be dealt with in accordance with the Credit Control & Debt Collection Policy of the Municipality.
- (6) Adequate cash receipting points shall be made available to the public in all areas to facilitate prompt payment of accounts. Every effort should be made to encourage consumers to pay directly, or via third party agents, into the Municipality's bank account by electronic means.
- (7) The Municipality shall review the debt collection performance regularly comparing monies presently owed to the Municipality in relation to the total income as well as a comparison to previous financial years in order to determine whether the debt collection is deteriorating or improving. Debt collection and credit control must be executed in terms of the provisions of the Credit Control & Debt Collection Policy of the Municipality

- (8) The Chief Financial Officer shall regularly assess the daily available cash in the main bank account in order to determine the need for making daily call investments or making investment payments or withdrawals, whereas long-term investments need to be based on projections further into the future.

20. PETTY CASH

- (1) The Chief Financial Officer will determine by way of written petty cash procedures the maximum amount and the nature of the petty cash disbursements, as well as managing the allocation of all petty cash floats.
- (2) Payments by means of petty cash may be used internally, by officials of the Municipality for the purpose of acquiring goods and services that are small in nature and amount and may be required on an urgent basis.
- (3) The provisions of the Supply Chain Management Policy of the Municipality concerning the acquiring of goods and services by way of petty cash, must be adhered to at all times.

21. PAYMENT TO SUPPLIERS

- (1) The Accounting Officer, assisted by the Chief Financial Officer, shall establish written creditors' payment procedures in terms section 65(2) of the MFMA in order to ensure that the Municipality maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
- (2) The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the Municipality stipulate payment terms

favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality.

- (3) Suppliers shall be paid in accordance with the service level agreements concluded with such suppliers and the provisions of the Supply Chain Management Policy of the Municipality. The number of electronic batch payment runs shall be minimised and shall be done in a structured scheduled manner in order to facilitate efficient cash flow management.
- (4) The Chief Financial Officer shall ensure that the Municipality optimises financial incentive opportunities arising from effecting earlier payments.
- (5) In order to ensure continuous effective control of cash, any special payments to creditors shall only be made with the express approval of the Chief Financial Officer who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end or other regular processing.

22. INVESTMENTS ETHICS AND PRINCIPLES

- (1) The Chief Financial Officer shall be responsible for investing the surplus revenues of the Municipality, and shall manage such investments in consultation with the Accounting Officer, as the case may be, and in compliance with any policy directives formulated by Council and the prescriptions made by the Minister of Finance.
- (2) Under no circumstances may any staff member be subjected to coercive measures of any description.

- (3) No member of staff may accept any gift other than something that is so small (monetary value not exceeding R350.00 (Three hundred and fifty rand)) that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences such staff member in his/her work or is intended to do so. Excessive gifts and hospitality must be refused and avoided.
- (4) The Chief Financial Officer must record and report all cases to the Accounting Officer where there is a contravention of this policy.
- (5) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.
- (6) No employee or councillor of the Municipality or their family may under any circumstances whatsoever on his/her own behalf or on behalf of any other person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made. This shall be confirmed annually by all Investees to the Auditor-General.
- (7) No fee, commission or other reward may be paid or given, directly or indirectly, to a councillor or official of the Municipality, or to a spouse or close family member of such councillor or official, in respect of any investment made by the Municipality. This shall be confirmed annually by all Investees to the Auditor-General.
- (8) All investments must be made without internal or external interference whether such interference comes from individual officials, councillors, agents, Investees or any other external body.

- (9) The Municipality shall review its investments regularly and liquidate any investment that no longer has the minimum acceptable rating as specified.
- (10) The Municipality must take all reasonable and prudent steps, consistent with the standard of care provided for in this policy to diversify its investment portfolio across institutions, types of investment and investment maturities. In this case it should be noted that a group of financial institutions would be treated as individual institutions.
- (11) Investments made by or on behalf of the Municipality must:
 - (a) be made while maintaining a strict code of ethics and standards;
 - (b) be a genuine investment and not an investment made for speculation.

23. CONFIDENTIALITY

- (1) Interest or investment rates shall not be divulged or disclosed to another institution or Investee.
- (2) The Municipality's cash position and its future projected cash flows shall not be discussed with or disclosed to any Investee.

24. GENERAL INVESTMENT PRACTICE

- (1) General principles:
 - (a) After determining whether cash is available for investment and fixing the maximum term of investment, the Chief Financial Officer shall consider the way in which the investment is to be made in conjunction with the Accounting Officer. Because rates can vary according to money market perceptions with regard to the term of investment,

quotations for fixed deposits should be requested telephonically for a period within the limitations of the maximum term. All telephonic quotations must be recorded on a schedule and the accepted quotation must be confirmed in writing before the actual investment is made. The same procedure must be followed before re-investment is made with the same institution;

- (b) Where a fixed deposit is made with an institution at a lower rate than the other quotations, reasons must be recorded by the Chief Financial Officer and reported to the Mayor as part of monthly financial report by the Accounting Officer.
- (2) Payment of commission:
 - (a) The financial institution where a fixed deposit is made must issue a certificate with regard to each investment at the time when the investment is made, in which it states that the financial institution has not or will not pay any commission and has not or will not grant any other benefit for obtaining such investment to any employee or councillor of the Municipality or their family or an agent or any other such person, or to any person nominated by such agent or such other person, except where the Municipality has decided, in terms of duly authorising legislation, to appoint an agent, consultant or such other person, and the fee commission has been decided and approved by the Mayor before any investment is made with such a financial institution;
 - (b) In the case of long-term securities at insurance companies, any payment of commission to any agent, consultant or any other person, must be clearly stated on the application form and approved by the Mayor in terms of duly authorising legislation and shall not exceed industry norms, before any investment is made;
 - (c) If any fee, commission or other reward is paid to an Investment Manager in respect of an investment made by the Municipality, both the Investee and the Investment Manager must declare such payment

to the Council by way of certificate disclosing full details of the payment.

- (3) “Call Deposits” and “Fixed Deposits” shorter than 12 (twelve) months:
- (a) Quotations shall be solicited from a minimum of 3 (three) financial institutions bearing in mind the limits of the term for which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than the term initially requested by the Municipality, the other institutions that were approached shall also be asked for quote a rate for the same term;
 - (b) It is acceptable to ask for quotations telephonically, as rates can generally change on a regular daily basis and time is a determining factor when an investment is made;
 - (c) The person responsible for requesting quotations from institutions should record the name of the institution, the name of the person who gave the telephonic quotation and the relevant terms and rates, and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted shall be given before the investment is made;
 - (d) Once the required number of quotations has been obtained, a decision shall be taken regarding the best terms offered and the institution with which the funds are going to be invested. The best offer is normally accepted, with thorough consideration of investment principles. No attempts may be made to make institutions compete with each other as far as their rates and terms are concerned. If institutions have been asked for a quotation with regard to a specific package, the institution has to be told to offer their best rate in their quotation. The institution shall be informed that, once the quotation has been given, no further bargaining or discussions would be entered into in that regard;

- (e) The above mentioned procedure should be followed regardless of whether the money is to be invested in a fixed deposit or on a call basis;
- (f) The Municipality shall ensure that the investment document received is the genuine document, issued by an approved institution. The investment capital should be paid over only to the institution with which it is to be invested, and not to any agent;
- (g) The Chief Financial Officer should seek professional advice whenever there is a degree of uncertainty regarding investment opportunities that are required to be evaluated.

25. USE OF INVESTMENT MANAGERS

- (1) The Municipality may employ an Investment Manager to:
 - (a) advise it on its investments; and/or
 - (b) manage specific investments on its behalf.
- (2) The appointment of an Investment Manager shall be in accordance with the Municipality's Supply Chain Management Policy. No employee, councillor or official of the Municipality or any family member of any of the foregoing may be appointed as Investment Manager.
- (3) All investments made by an investment manager on behalf of the Municipality shall be in accordance with this policy and the Regulations.
- (4) Where any investment fee, commission or any other amount is paid by the Investee to the Investment Manager in respect of the Municipality's investments, both the Investee and the investment manager shall declare such payment to Council by way of a certificate disclosing the full details of the payment. Such amount shall not exceed industry norms.

- (5) Investment Managers found guilty of non-compliance with this policy, as well as the Regulations, shall be liable for any loss or penalty suffered by the Municipality.

26. ACCOUNTING FOR INVESTMENTS

The Municipality's investments shall be accounted for as held to maturity (HTM) financial investments in accordance with the Municipality's approved accounting policies. The investments shall be measured as at balance sheet date at the amortised cost, using the effective interest rate method, less any write off for impairment or non collectability.

27. EXISTING INVESTMENTS

Nothing in this policy compels the Municipality to liquidate an investment which existed when the Regulations took effect merely because such investment does not meet the provisions of those regulations.

28. INVESTMENT DENOMINATED IN FOREIGN CURRENCY PROHIBITED

The Municipality may make an investment only if the investment is denominated in South African Rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

29. ANNUAL REVIEW OF THIS POLICY

- (1) This policy will be reviewed annually or earlier if so required by legislation.

- (2) Any changes to this policy must be adopted by Council and be consistent with the MFMA and the Regulations.

ANNEXURE “A”

GOVERNMENT GAZETTE, 1 APRIL 2005

GOVERNMENT NOTICES

**NATIONAL TREASURY Notice No. R. 308 dated 1 April 2005 in Gazette No.
27431**

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 2003
MUNICIPAL INVESTMENT REGULATIONS**

The Minister of Finance, acting with the concurrence of the Minister for Provincial and Local Government, has in terms of Section 168, read with Section 13 and 99 (2)(g), of the Local Government : Municipal Finance Management Act, Act 56 of 2003, made the regulations as set out in the Schedule.

SCHEDULE

1. Definitions

In these regulations, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act, has the same meaning, and:

- (1) **“Act”** means the Local Government: Municipal Finance Management Act, Act 56 of 2003;
- (2) **“Investee”** means an institution with which an investment is placed, or its agent;
- (3) **“Investment Manager”** means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, Act 55 of 1989 and Stock Exchanges Control Act, Act 1 of 1985, contracted by a municipality or municipal entity to:

- (a) advise it on investments;
 - (b) manage investments on its behalf; or
 - (c) advise it on investments and manage investments on its behalf.
- (4) **“trust money”** means money held in trust on behalf of third parties in a trust contemplated in terms of Section 12 of the Act.

2. Application

- (1) These regulations apply to:
 - (a) all municipalities;
 - (b) all municipal entities; and
 - (c) all Investment Managers acting on behalf of, or assisting, a municipality or municipal entity in making or managing investments.
- (2) These regulations do not apply:
 - (a) to a pension or provident fund registered in terms of the Pension Funds Act, Act 24 of 1956, or any subsequent legislation; or
 - (b) in respect of trust money administered by a municipality or municipal entity where a trust deed prescribes how the trust money is to be invested.
- (3) Municipal pension or provident funds which do not comply with sub-regulation (2)(a) are exempted from these regulations until 30 June 2005.
- (4) The Accounting Officer of a municipality and municipal entity must provide the National Treasury with details of all pension or provident funds that do not

comply with sub-regulation (2)(a) within 30 (thirty) days of promulgation of these regulations.

3. Adoption of Investment Policies

- (1) The investment policy to be established by a municipality in terms of Section 13(2) of the Act, must be:
 - (a) adopted by the Council of the municipality; and
 - (b) consistent with the Act and these regulations.
- (2) The board of Directors of a municipal entity must adopt an investment policy for the entity consistent with the Act and these regulations.
- (3) All investments made by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality or municipal entity, must be in accordance with the investment policy of the municipality or entity and these regulations.

4. Core elements of Investment Policies

- (1) The investment policy of a municipality or municipal entity must:
 - (a) be in writing;
 - (b) give effect to these regulations; and
 - (c) set out:
 - (i) the scope of the policy;
 - (ii) the objectives of the policy, with due regard to the provisions of these regulations relating to:
 - (aa) the preservation and safety of investments as the primary aim;

- (bb) the need for investment diversification; and
 - (cc) the liquidity needs of the municipality or municipal entity;
- (iii) a minimum acceptable credit rating for investments, including :-
 - (aa) a list of approved investment types that may be made, subject to regulation 6;
 - (bb) a list of approved institutions where or through which investments may be made, subject to regulation 10;
- (iv) procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Act;
- (v) measures for ensuring implementation of the policy and internal control over investments made;
- (vi) procedures for reporting on and monitoring of all investments made, subject to regulation 9;
- (vii) procedures for benchmarking and performance evaluation;
- (viii) the assignment of roles and functions, including any delegation of decision-making powers;
- (ix) if Investment Managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these regulations; and
- (x) procedures for the annual review of the policy.

5. Standard of Care to be exercised when making Investments

Investments by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality or entity:

- (a) must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- (b) may not be made for speculation but must be a genuine investment; and
- (c) must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality or municipal entity and lastly to the probable income derived from the investment.

6. Permitted Investments

A municipality or municipal entity may invest funds only in any of the following investment types:

- (a) securities issued by the national government;
- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, Act 94 of 1990;
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, Act 45 of 1984;
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, Act 46 of 1984;
- (f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) repurchase agreements with banks registered in terms of the Banks Act, 1990;

- (i) municipal bonds issued by a municipality; and
- (j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

7. Investments denominated in foreign currencies prohibited

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

8. Payment of Commission

- (1) No fee, commission or other reward may be paid to a councillor or official of a municipality or to a director or official of a municipal entity or to a spouse or close family member of such councillor, director or official in respect of any investment made or referred by a municipality or municipal entity.
- (2) If an Investee pays any fee, commission or other reward to an Investment Manager in respect of any investment made by a municipality or municipal entity, both the Investee and the Investment Manager must declare such payment to the Council of the municipality or the board of directors of the municipal entity by way of a certificate disclosing full details of the payment.

9. Reporting requirements

- (1) The accounting officer of a municipality or municipal entity must within 10 working days of the end of each month, as part of the Section 71 report required by the Act, submit to the Mayor of the municipality or the board of directors of the municipal entity a report describing in accordance with

generally recognised accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.

- (2) The report referred to in sub regulation (1) above must set out at least:
- (a) the market value of each investment as at the beginning of the reporting period;
 - (b) any changes to the investment portfolio during the reporting period;
 - (c) the market value of each investment as at the end of the reporting period; and
 - (d) fully accrued interest and yield for the reporting period.

10. Credit Requirements

- (1) A municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in regulation 5, to ensure that it places its investments with credit worthy institutions.
- (2) A municipality or municipal entity must :-
- (a) regularly monitor its investment portfolio; and
 - (b) when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

11. Portfolio Diversification

A municipality or municipal entity must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care prescribed in regulation 5, to diversify its investment portfolio across institutions, types of investment and investment maturities.

12. Miscellaneous Provisions

- (1) The responsibility and risk arising from any investment transaction vests in the relevant municipality or municipal entity.
- (2) All investments made by a municipality or municipal entity must be in the name of that municipality or municipal entity.
- (3) A municipality or municipal entity may not borrow money for the purpose of investment.

13. Existing Investments

Nothing in these regulations compels a municipality or municipal entity to liquidate an investment which existed when these regulations took effect merely because such investment does not comply with a provision of these regulations.

14. Commencement

These regulations take effect on 1 April 2005.

LIST OF CURRENTLY APPROVED INVESTEEES

A. Deposit taking institutions

ABSA Bank

FirstRand Bank

Investec Bank

Nedbank

Standard Bank

Public Investment Commissioners

Corporation for Public Deposits

B. Corporate bond issuers

None currently approved.

C. Municipal bond issuers

None currently approved.

D. Endowment policy issuers

E. National Government / Parastatals

RSA fixed income stock.

Eskom fixed income stock

RUSTENBURG LOCAL MUNICIPALITY



Policy Name:	Commitments Policy
Policy Number:	
Status:	Draft
Date:	31 January 2022
Approved By:	
Date Approved:	
Date Last Amended:	New Policy
Date for Next Review:	2022
Date Published on Intranet:	

COMMITMENTS POLICY – DRAFT

ABBREVIATIONS:

MFMA -	Municipal Finance Management Act, 2003 (Act 56 of 2003)
GRAP	Generally Recognised Accounting Practice
AFS -	Annual Financial Statements
AO -	Accounting Officer

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1. LEGISLATIVE REQUIREMENTS

Municipal Finance Management Act (MFMA)

The MFMA endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

Chapter 12 of the MFMA places the onus on the Municipality to take responsibility for the preparation and adoption of an annual report in accordance with this Chapter. Chapter 12 provides guidance on the preparation of financial statements, disclosures on intergovernmental and other allocations and other compulsory disclosures.

2. OBJECTIVE

The objective of this Policy is to clearly define the responsibilities of Rustenburg Local Municipality, in terms of the MFMA, with respect to the identification and disclosure of both ‘approved and contracted for’ and ‘approved but not yet contracted for’ commitments in its Annual Financial Statements (AFS).

This policy document addresses the following areas:

- 2.1.1. The definition of a commitment
- 2.1.2. The definition of ‘approved and contracted for’ commitments.
- 2.1.3. The Accounting Policy with respect to commitments
- 2.1.4. Guidance on the identification and accounting treatment of commitments
- 2.1.5. Guidance on the disclosure requirements of commitments

3. TERMINOLOGY AND DEFINITIONS

A **commitment** represents goods/services that have been approved and/or contracted for, but where expenditure has not taken place at the reporting date. A commitment arises when a decision has been made to incur a liability in the future. The commitment converts to a liability when that intention becomes a present obligation – i.e. when the delivery of the contracted goods/services has taken place.

Capital commitments arise when the Rustenburg Local Municipality has entered into a contract on or before the end of the financial year/reporting date to incur expenditure over subsequent accounting periods relating to the construction of infrastructure, the purchase of major items of property, plant and equipment or significant consultancy costs.

An **approved and contracted for commitment** is where the expenditure has been approved and the contract has been awarded at the end of the financial year/reporting date.

Capital expenditure is expenditure incurred to purchase, upgrade or construct physical assets (for e.g. buildings) for which there will be a long-term benefit. Long-term is defined as longer than one year.

Current/Operational expenditure is expenditure incurred to purchase goods or services for which there will be a short-term benefit and which has been incurred in the normal course of business. Short-term is defined as less than one year.

Annual Financial Statements in relation to the Rustenburg Local Municipality means statements consisting of at least-

- 3.1.1 A statement of financial position
- 3.1.2 A statement of financial performance
- 3.1.3 A cash-flow statement
- 3.1.4 Any other statements that may be prescribed, and
- 3.1.5 Any notes to these statements.

Financial Year means a year ending on 30 June.

4. ACCOUNTING POLICY

This Policy has been formulated in terms of the MFMA and the Generally Recognised Accounting Practice Statement on Presentation of Financial Statements (GRAP1), as well as disclosure prescribed in the June 2006 National Treasury specimen annual financial statements.

Commitments are not recognised in the Statement of Financial Position nor the Statement of Financial Performance, but are included in the disclosure notes to the AFS.

The disclosure of commitments entered into before the end of the financial year/reporting date shall be done in the financial statements as prescribed in the following GRAP standards:

- 4.1.1 GRAP 1 – Presentation of Financial Statements (GRAP 1:.124)** requires the disclosure of unrecognised contractual commitments
- 4.1.2 GRAP 13 – Leases (GRAP 13:.28)** requires the disclosure of the future minimum lease payments
- 4.1.3 GRAP 17 – Property, Plant and Equipment (GRAP 17:.86 (c))** requires the disclosure of contractual commitments for the acquisition of property, plant and equipment.
- 4.1.4 GRAP 31 – Intangible Assets (GRAP 31:.123 (d))** requires the disclosure of contractual commitments for the acquisition of intangible assets.

5. IDENTIFICATION AND ACCOUNTING TREATMENT OF COMMITMENTS

In determining whether a commitment exists at the end of the financial year/reporting date, the following principles, according to the National Treasury Guidelines, should be applied:

- 5.1. Commitments represent goods/services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as

expenditure in the Statement of Financial Performance, however are disclosed as part of the disclosure notes.

- 5.2. Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- 5.3. Contracts that are entered into before the reporting date, but for which the corresponding goods/services have not been received are disclosed in the commitments disclosure note to the financial statements
- 5.4. Material contracts entered into after the reporting date, but prior to the approval of the AFS must be disclosed under subsequent events.
- 5.5. Other commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note if both the following criteria are met:
- 5.6. Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services), and
- 5.7. Contracts should relate to something other than the routine, business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The transaction cycle to demonstrate at which stage commitments should be disclosed in the AFS has been represented in tabular format below:

Contracts exceeding **R200 000** are obtained through a competitive bidding process.

Stage	Decision to put contract to tender	Contract accepted and signed	Contract work commences		Payment made
Classification	No recognition / No disclosure	Commitment	Liability for work performed	Commitment for unperformed work	Settles the liability

6 GENERAL DISCLOSURE REQUIREMENTS OF COMMITMENTS

A. Notes to the Financial Statements

As a minimum, the following should be disclosed in the notes to the Financial Statements for commitments:

- 6.1.1 The aggregate amount of Capital expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the Financial Statements

To ensure that there is no duplication, lease obligations are disclosed under a separate note.

B. CONTRACT / COMMITMENTS REGISTER

A capital / commitments register shall be maintained by the Supply Chain Management Unit. This register details the following information, essential for the calculation of commitments:

- 6.2.1 The period of the tender awarded
- 6.2.2 Original contract amount
- 6.2.3 Amounts already paid pertaining to that tender/contract
- 6.2.4 Amounts for which invoices have been received and which are therefore included in accruals and should be deducted from the commitment

In respect of current contracts:

Commitments loaded onto the Procurement System (Financial System) of which Goods Received Notes have not yet been raised at the reporting date.

C. DISCLOSURE EXAMPLE

NOTE FOR CURRENT AND CAPITAL COMMITMENTS

Current expenditure	2021/22	2020/21
Approved and contracted	_____	_____
	_____	_____
	_____	_____
Capital expenditure		
Approved and contracted	_____	_____
	_____	_____
Total commitments	_____	_____

7 Policy Implementation and Review

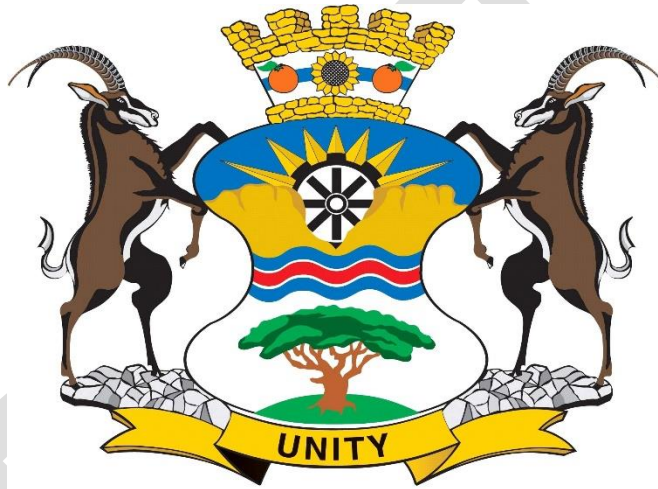
This policy is effective from xx

This policy shall be reviewed on xx

Approved by:

Date:

Rustenburg Local Municipality



Contract Management Policy

2022/23

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PREAMBLE

The Constitution of the Republic of South Africa, 1996, states in section 195(1):

“Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles –

- (b) Efficient, economic and effective use of resources must be promoted.
- (f) Public administration must be accountable.”

Section 217(1) of the Constitution states:

“When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.”

In addition, section 217(2) (1) of the Constitution states:

“Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for –

- (a) Categories of preference in the allocation of contracts; and
- (b) The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.”

The Rustenburg Local Municipality’s SCM Policy provides guidelines on the acquisition of goods and services.

All transactions undertaken by the Rustenburg Local Municipality involves a contract, whether explicitly agreed upon in writing, or implicitly implied through actions. Properly managed contracts by all stakeholders involved can ensure that services are delivered within specifications as set and agreed upon during the acquisition of services (*inclusive of escalation clauses in the contracts, refer to GCC annexure B*).

Good contract management by all stakeholders involved is essential for good financial management and will contribute to the effectiveness and efficiency of service delivery. A centralised strategic point of contract management will give strategic direction to all departments within the Rustenburg Local Municipality. This policy must be read in conjunction with the Rustenburg Local Municipality’s SCM policy.

DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and the following definitions are assigned to the following terms:

TERMS	DEFINITIONS
the Act or MFMA	The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
Circular	Communications from National Treasury by means of circulars to enhance compliance and accountability to SCM Regulation and the MFMA of 2003
Contract Specialist/Champion/Administrator	The manager/director/administrator responsible for all day to day activities
Contractor	The party to the contract that is required to provide goods or services according to the terms of the agreement.
Contract Management	The activities necessary to manage a contract throughout all stages in the contract life cycle to ensure that immediate action is taken effectively and efficiently to the change that may occur to the contract
Contract Management system.	Computerised / manual system necessary to ensure proper Contract Management control and monitoring of contracts
Contract Register	Manual system necessary to ensure proper Contract Management control and monitoring of contracts.
Force Majeure	An event beyond the control of the contractor and not involving the contractor's fault or negligence and not foreseeable.
Litigate.	The act or process of contesting a lawsuit or seeking redress through the courts.
Parties.	Parties that stipulate obligations to one another to ensure that the contract term and condition are fulfilled.
Specification	The statement that provide detailed description of goods, services and works characteristics and identify performance requirements prepared when procuring goods, services and works.
Transversal Contract	Term contracts that are facilitated and arranged by National Treasury or Provincial Treasury for goods and services that are frequently required by Municipality.
Terms of Reference	The statement that define clearly the task directive (method-ology), objectives, goals and scope of the assignment and provide background information, prepared when procuring professional services.
Institution	Terms of Reference Unit / Function in the organisation as the role player to the procedures.
Division	Includes the divisional section within the municipality.
Firm Contract Price	Contract prices provide for a fixed price which normally not subject to any adjustment.
Non-Firm Contract Price	Contracts prices that are subjected to changes if they are explicitly included in the agreement based on the economic pricing escalations.
Head Of Department	Any Director or Chief Financial Manager of the Municipal, including any Director reporting directly to the Municipal Manager

Contract	The agreement that results from the acceptance of a bid by the Rustenburg Local Municipality
Long-Term Contract	A contract with a duration exceeding one year
Contract Management	The holistic term for all role players involved in an agreement
Constitution	The Constitution of the Republic of South Africa, 1996
Contract Alteration	Changing technical writing or input errors to the original agreement of the contract without changing the scope of the contract
Contract Amendment	Changing the scope, nature, duration, purpose or objective of the agreement or contract (in the context of circular 62 and section 113(3) of the MFMA)
Competitive Bidding Process	A competitive bidding process referred to in the SCM policy of the Rustenburg Local Municipality
Competitive Bid	A bid in terms of the competitive bidding process
Two Stage Bidding	Two stage bidding process referred to in the SCM policy of the Rustenburg Local Municipality
Final Award	In relation to bids or quotations submitted for a contract, the final decision on which bid or quote to accept
Formal Written Price Quotation	Quotations referred to in the SCM policy of the Rustenburg Local Municipality
Fruitless And Wasteful Expenditure	Expenditure that was made in vain and would have been avoided if reasonable care been taken
Regulation	The Municipal Supply Chain Management Regulations promulgated in terms of the Local Government: Municipal Finance Management Act, 2003
Sole Supplier	Goods and services procured in terms of section 110(2) of the MFMA
Supply Chain Management Code Of Conduct	The National Treasury's Code of Conduct for Supply Chain Management Practitioners and other role players in the Rustenburg Local Municipality
Systems Act	The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), as amended
Treasury Guidelines	Any guidelines on Supply Chain Management issued by the Minister in terms of section 168 of the Act
Unsolicited Bid	Bids as defined in terms of section 113(1)(2)(3) of the MFMA
Supply Chain Management	A systems approach to manage the entire flow of goods and services that will create and optimise value for customers in the form of products and services which specifically satisfy customer demands
Service Provider	An accredited service provider of the Rustenburg Local Municipality, goods and services required by the Municipal from time to time
Guide For Accounting Officers	The supply chain management guide for accounting officers/authorities from the National Treasury, Republic of South Africa, 2004

ABBREVIATIONS

B-BBEE	Broad-Based Black Economic Empowerment
CIDB	Construction Industry Development Board Act, 2000 (Act 38 of 2000)
MM	The official appointed by the Council as Municipal Manager and who will be the accounting officer of the Rustenburg Local Municipality as contemplated in the Act
GCC	General Conditions of Contract
GCFO	Group Chief Financial Officer of the Rustenburg Local Municipality
MFMA	Municipal Finance Management Act, 2003 (Act 56 of 2003)
MSA	Municipal Systems Act, 2000 (Act 32 of 2000)
NT	National Treasury
SCC	Special Conditions of Contract
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SLA	Service Level Agreement
PPPFA	Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
CRA	Contract Registration Application
CFO	Chief Financial Officer
MCMG	Municipal Contract Management Guideline
CPA	Contract Price Adjustments
BAC	Bid Adjudication Committee
GPG	Gauteng Provincial Government
GPT	Gauteng Provincial Treasury
MBD	Municipal Bidding Document
TOR	Terms of Reference
RT	National Treasury Transversal Contract

1 INTRODUCTION

This policy framework provides a guide to contract management and a tool for effective contract management and it applies to all municipal employees and contractors that are involved in the management of supplier contracts.

Good contract management is essential for sound financial management and contributes greatly to effective and efficient service delivery. Contract management is concerned with monitoring supplier performance to avoid bid violations (e.g. submission and payment of fictitious invoices and abuse of the variation procedures)

Contract management leads to increased savings and good quality on-time delivery. Furthermore, it is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract and invoices building a good working relationship between the parties. Contract management continues throughout the life of a contract and also involves managing proactively to anticipate future needs as well as reacting to situations that arise.

One of the key aims of contract management is to accelerate service delivery in accordance with the signed contract and attainment of value for money while managing risks. Active management of contractual relationship with the contractor will yield optimum efficiencies, effectiveness and economy of the service and balance in cost and risk.

This policy gives effect to the following legislation:

1.1 Section 217 of the Constitution, which states:

“When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.”

1.2 Section 195(1) (a) to (i) of the Constitution

1.3 Section 116(1), (2) and (3) of the MFMA, which states:

“(1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must—

- (a) be in writing;
- (b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—
 - (i) the termination of the contract or agreement in the case of non- or underperformance;
 - (ii) dispute resolution mechanisms to settle disputes between the parties;
 - (iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
 - (iv) any other matters that may be prescribed.

(2) The accounting officer of a municipality or municipal entity must—

- (a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;
- (b) monitor on a monthly basis the performance of the contractor under the

- contract or agreement;
- (c) establish capacity in the administration of the municipality or municipal entity—
- (i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and
 - (ii) to oversee the day-to-day management of the contract or agreement; and
- (d) regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
- (3) A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after—
- (a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
 - (b) the local community—
 - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
 - (ii) has been invited to submit representations to the municipality or Municipal entity.”

2. PURPOSE

The purpose of the Municipal Contract Management policy is to establish sound and consistent management practices with respect to municipal contracts. It describes the processes and assigns responsibilities to effectively administer contracts from:

- Preparation of contracts;
- Maintenance of contract register;
- Monitoring of payments;
- Control contract variation and price adjustment;
- Assess and monitor performance; and
- Manage contract disputes and close out of contracts.

- 2.2 Any other regulations pertaining to the Municipal's SCM Policy.
This policy applies when a municipality or a municipal entity –

- ❖ procures goods or services;
- ❖ disposes of goods no longer needed; and
- ❖ selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where chapter 8 of the Municipal Systems Act applies.

3 ROLE PLAYERS IN CONTRACT MANAGEMENT

- 3.1 Contract Administration/SCM
- 3.2 Legal Services
- 3.3 Contract Management/Project Manager/User department
- 3.4 All officials of the Rustenburg Local Municipality

PROJECT MANAGER/USER DEPARTMENT	CONTRACT ADMINISTRATION
<p>Nominated by the head of the section to manage the specific project.</p> <p>Often described as reporting officer in terms of the supplier's performance management system.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> a) quality control, financial management and other technical expertise needed for the success of the project; b) facilitating the signing of contracts with service providers; and c) assessing the performance in line with the Suppliers Performance Monitoring System (SPMS). 	<p>Official from the SCM Division responsible for contract administration.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> a) the safekeeping of all contract-related documents; and b) advising the reporting officer/project manager on the following: <ul style="list-style-type: none"> i. Drafting of the Service Level Agreement (SLA) ii. Contract expiry date iii. Price adjustments iv. Reporting on performance of the supplier to the accounting officer and the Council
LEGAL SERVICES	ALL OFFICIALS OF THE RLM
<p>Official from the Legal Division responsible for contract administration.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> a) Interprets contracts and advises sales / consulting managers on contractual responsibilities; b) Translates complex commercial/legal scenarios into simple language and action plans. c) Prepares contracts for internal review and approval and ensures compliance with company policies as well as applicable laws or regulations. 	<p>Official from the RLM responsible for contract administration.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> a) Manage contracts and drive spending b) Manage KPI's and time lines c) Mitigate risks.

4 CUSTODIAN OF BID AND CONTRACT DOCUMENTS

- 4.1 All bid and contract documents will be kept by the SCM Division.
- 4.2 No Directorate will keep original bid documents and contracts in his/her office.
- 4.3 Directorates will, however, be allowed to keep copies of contracts and bid documents for assessment and contract performance management purposes.

5 SCOPE AND OBJECTIVES

- 5.1 The objective of this policy/procedure is to set out the procedure that should be followed when drafting, monitoring, cancelling or renewing contracts or agreements procured through the Municipality's SCM.
- 5.2 This policy/procedure applies to all contracts entered into by the Municipality as a result of its SCM Policy.
- 5.3 This policy/procedure should be read and used in conjunction with the Municipality's SCM Policy.

6 CONTRACTS

6.1 TYPES OF CONTRACTS

The bidding documents should clearly state the type of contract to be entered into and contain the appropriate contract provisions.

6.1.1. LUMP SUM (FIRM FIXED PRICE) CONTRACT

- ❖ The most common types of contracts provide for payments based on lump sum prices, unit prices, reimbursable cost plus fees, or combinations thereof.
- ❖ Lump sum contracts are used mainly for assignments in which the content and the duration of the services and the required output of the consultants are clearly defined.
- ❖ They are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, and so forth.
- ❖ Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents and software programs.
- ❖ Lump sum contracts are easy to administer because payments are due on clearly specified outputs.

6.1.2 TIME-BASED CONTRACT

- ❖ This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others for which the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess.
- ❖ This type of contract is widely used for complex studies, supervision of construction, advisory services, and most training assignments.
- ❖ Payments are based on agreed hourly, daily, weekly, or monthly rates for staff (who are normally named in the contract) and on reimbursable items using actual expenses and / or agreed unit prices.
- ❖ The rates for staff include salary, social costs, overheads, fees (or profit), and, where appropriate, special allowances.
- ❖ This type of contract should include a maximum amount of total payments to be made to the consultants. This ceiling amount should include a contingency allowance for unforeseen work and duration and provision for price adjustments, where appropriate.
- ❖ Time-based contracts need to be closely monitored and administered to ensure that the assignment is progressing satisfactorily and payments claimed by the consultants are appropriate.
- ❖ Again the Guidelines on fees for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs, or to determine the reasonableness of the tariffs.

6.1.3. PERCENTAGE CONTRACT

- ❖ These contracts are commonly used for architectural services. They may be also used for procurement and inspection agents.
- ❖ Percentage contracts directly relate the fees paid to the consultant to the estimated or actual project construction cost, or the cost of the goods procured or inspected.
- ❖ The contracts are negotiated on the basis of market norms for the services and / or estimated staff-month costs for the services, or competitive bid. It should be borne in mind that in the case of architectural or engineering services, percentage contracts implicitly lack incentive for economic design and are hence discouraged.
- ❖ Therefore, the use of such a contract for architectural services is recommended only if it is based on a fixed target cost and covers precisely defined services (for example, not works supervision).

6.1.4. INDEFINITE DELIVERY CONTRACT (PRICE AGREEMENT)

- ❖ These contracts are used when Accounting Officers / Authorities need to have "on call" specialized services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance.
- ❖ These are commonly used to retain "advisers" for implementation of complex projects (for example, dam panel), expert adjudicators for dispute resolution panels, Accounting Officer / Authority reforms, procurement advice, technical Trouble-shooting, and so forth, normally for a period of a year or more.
- ❖ The Accounting Officer / Authority and the firm agree on the unit rates to be paid for the experts and payments are made on the basis of the time actually used.

6.1.5 REIMBURSABLE COST CONTRACTS

- ❖ Reimbursable cost contracts should be acceptable only in special circumstances, such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy.
- ❖ Such contracts should include appropriate incentives to limit costs and may only be concluded subject to the approval of the accounting officer/authority.
- ❖ It is advisable that the reasons and formal approval for following the reimbursement route are recorded for auditing purposes.

7. CONTRACT MANAGEMENT LIFECYCLE

The lifecycle begins with setting direction; high-level objectives and policies for the Municipality. This leads to the identification of needs of the Municipality that can be fulfilled by acquiring goods, works and / or services to fulfill the need. Once the service is acquired, Contract Management comes into effect. An ongoing analysis of municipal needs is critical to ensure that goods, services and works provided are what the municipality and entity really need.

An effective Contract Management life cycle constitutes planning, contract arrangement, administration, performance management and close out.

7.1. STAGE 1: PLANNING

This stage refers to consideration of contracts during the planning and budgeting processes. These processes will identify the need for contract creation and timeframes for implementation to ensure that delivery of goods and services occurs as approved in the budget.

During the strategic planning phase of the institution, goods, works and services required to execute the identified functions are determined and captured in the procurement plans.

Procurement plans containing all planned procurement for the financial year in respect of the procurement of goods, services and works which exceed R200 000.00 must be submitted by Accounting Officers to Gauteng Provincial Treasury by the 31 July of each year. Records of planned procurement below R200 000.00 may be kept for contract reporting and monitoring.

The Procurement Plan document provides detailed information about the description of goods, services and works, estimated value, envisaged date of advertisement, closing of bid and date of award including the responsible office.

Contract management unit / function will in consultation with the Acquisition unit be responsible for monitoring contracts in line with the projects listed in the procurement plans and approved budgets.

It is vital for Contract Management unit / function to monitor contracts accordingly with approved procurement plans after award as it can lead to significant improvement on service delivery.

Contract planning should also cover the entire Service Delivery Budget Implementation Plan (SDIBP) period and beyond where applicable.

7.2. STAGE 2: CONTRACT ARRANGEMENT

This stage refers to the arrangement of signing the contract, making it legally enforceable and formalising the terms and conditions concluded between parties.

The unit / function responsible for Contract Management will arrange for the signing of the contract as follows:

- ❖ Submit the tender document, which becomes the contract, to the Municipal Manager for signature;
- ❖ Issue an appointment letter, signed by the CFO and relevant head of department, to the successful bidder;
- ❖ Arrangement of a Service Level Agreement (SLA) and / or contract document with the end user, if applicable. The SLA must be legally sound and vetted by the Municipal Legal Service prior to signing of the parties;
- ❖ Capture contract award details in the Contract Management system of the Municipality and Contract Registration Application (CRA);
- ❖ Original signed contract resides with Contract Management unit, copy of which will be scanned and archived in supply chain filing system of the municipality;
- ❖ A copy of the signed contract is issued to the end-user to prepare requisition for creation of purchase order.

7.2.1. SERVICE LEVEL AGREEMENT

Service level agreements are negotiated agreements for the delivery of specified services between the contractor and the Municipality. An SLA is not compulsory and is solely at the discretion of the user department, especially if the specifications in the tender document is not sufficient. The SLA specifies services or goods required. The level of quantities and quality of service to which both parties agree and designed to indicate and evaluate the quality of the service delivered. Agreement is negotiated at the commencement of a contract and involves the understanding of the needs and constraints of both parties.

The purpose of developing SLA's and setting service levels is to enable the municipality to monitor and control the performance of the service received from the contractor against agreed standards. Service levels should be agreed by both parties and these are:

- ❖ Established at a reasonable level in line with the TOR / Specifications which contain the scope of work.
- ❖ Prioritised by the municipality in order of importance and on an agreed scale for example: critical, major, urgent, important, minor, easily monitored, such as objectives, tangible and quantifiable;
- ❖ To conclude the SLA within the shortest possible timeframe after the award of a contract as best practice;
- ❖ The SLA may be included in the bid document to allow bidders to have ample time to review the SLA, or a draft SLA may be requested together with the bid document;
- ❖ Unambiguous and understandable by all parties;
- ❖ Open to re-negotiation if justifiable to do so;
- ❖ The contractor and the municipality jointly identify a statement of expectations and ability, the cost of receiving the service and the basis for the calculation of costs.

The contractor is accountable for the quality and performance levels of the services and the availability thereof. One of the principle objectives of a SLA is that both parties understand the basis and intent of the terms and conditions under which the services are to be delivered.

The definitions of terms should be an integral part of the negotiation and discussion process between the two parties. If there are other terms identified during discussions that are not in the list of defined terms, they should be added. Negotiations should include the following conditions:

- ❖ Not allow any preferred bidder a second or unfair opportunity;
- ❖ Not to the detriment of any other bidder;
- ❖ Not lead to a higher price than the bid as submitted.

It must be noted that a SLA is an agreement in its own and it should therefore not be used to change or refine the stipulations contained in the bid documents.

The list of common provisions is not exhaustive and other provisions will need to be drafted to suit the particular contractual arrangement; as a result, professional advice should be sought to assist with drafting specific SLA provisions.

7.2.2. LEGAL VETTING OF SERVICE LEVEL AGREEMENT / FORMAL CONTRACT

Prior to signing a formal contract or service level agreement with a contractor, Accounting Officers / Authorities must ensure that such contracts or agreements are legally sound to avoid potential litigation and to minimize possible fraud and corruption.

This must include legal vetting by at least the Legal Services of the municipality and such contracts or agreements must be actively managed in order to ensure that both the institution and the contractor meet their respective obligations.

The legal division provides expert advice to the Contract Management unit and must be consulted in the following circumstances:

- ❖ Vetting of contract documents and service level agreements;
- ❖ Dispute resolutions, implementation of contract terms and conditions;
- ❖ Contract change of ownership, breach of contract, penalties, terminations, enforcement of indemnities, guarantees and contractual claims.

7.3 STAGE 3: CONTRACT ADMINISTRATION

This stage is important in Contract Management and overlaps with monitoring and performance assessment. It encompasses various activities that need to be completed on a day to day basis, including among others:

A. CONTRACT REGISTER

- ❖ All approved contracts are registered in the Contract Management System / Tool to enable easy retrieval and identification of all contractual arrangements.
- ❖ Contracts that are partially executed, signed by one party, may be registered into the Contract Management System prior to forwarding to other parties for signature. The Contract Management unit / function should ensure that all signatures are obtained and contracts are updated in the system.
- ❖ Contract registers should be used to monitor contract end dates in order to notify the end user to commence with the procurement strategy on time, at least 6 or 12 months prior to the expiry of the contract.

Effective contract register should have the following characteristics:

- ❖ Contract number, name of contractor, description, award date, type of contract, amount, contract period, department, project manager, contact details, expenditure, commitment;
- ❖ This will simplify the reconciliation or cross-check between the register and the Municipality's financial management information system;
- ❖ Expenditure against the contract and value of commitment.

Contract register report will be established detailing status of contracts and the reports to be provided by the 6th of every month to the Head of SCM on the following: (See Annexure F):

- ❖ Valid contracts in place;
- ❖ Contracts captured on the system; (where applicable)

- ❖ Contract number
- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided
- ❖ Duration of the contract
- ❖ Contracts due to expire in six or twelve months;
- ❖ Contracts extended;
- ❖ All expired contracts;
- ❖ Contract variation;
- ❖ Cancelled contracts;
- ❖ Penalties under the contract
- ❖ Payments made to date
- ❖ Penalties paid by the municipality or contractor
- ❖ Amendments to the contract
- ❖ Remarks from site meeting or contract steering committee meeting that have impact on the contract
- ❖ Progress report from the head of department that procured the goods or services
- ❖ Any delays that might have an impact on the completion of the contract
- ❖ Value of commitments;
- ❖ Value of accruals.

The Accounting Officer of a Municipality or Municipal Entity must annually report to the council of the Municipality on the management of the contract or agreement and the performance of the contractor.

B. CONTRACT PAYMENTS

- ❖ Payments should be made in accordance with the provisions of the contract after delivery and budget confirmation should be attached by the end user before effecting payments.
- ❖ Evidence of delivery is required that the end user has certified that the work has been satisfactorily executed and met the required standards of performance, e.g. Goods Received Voucher (GRV), Payments certificates, etc.
- ❖ Payments for satisfactory performance should not be delayed because this can undermine the relationship with the service provider. All payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgment. This implies that amounts owing must be paid within 30 days from receipt of invoice if the goods, works or services were delivered to the satisfaction of the Accounting Officer or delegated authority.
- ❖ In cases where a discount is not a contract condition and the contractor offers a discount on the invoice, the discount if possible must be utilized for instance by making the payment within the time limit specified on the invoice.

- ❖ In the event that only part of the invoice is queried, arrangement should be made to pay that portion of the amount payable which is not subject to dispute, and separately take action to remedy the disputed amount.
- ❖ Payment outside the prescribed period of 30 days from receipt of invoice is deemed to be a contravention and may be reported as such by the Auditor-General as part of its audit finding.
- ❖ Interest incurred on late payments will be declared fruitless and wasteful and should also be disclosed as such in the Annual Financial Statements.

C. CONTRACT VARIATION

It is recognized that, in exceptional cases, an Accounting Officer may deem it necessary to expand or vary orders against the original contract. The reasons for the variation should be clearly documented and should occur in defined circumstances.

A variation is mostly issued when extra work is added to the project after the contract has been signed. Deliverables and value for money should be assessed.

In order to mitigate against such practices, Accounting Officers / Authorities of Municipalities and Municipal Entities are directed that contracts may be expanded or varied by not more than 20% for construction related goods, services and / or infrastructure projects and 15% for all other goods and / or services of the original value of the contract. Furthermore, any variation beyond the abovementioned thresholds must be reported to Council or the Board of Directors.

An expansion or variation in excess of the threshold where the contract or agreement procured through the Supply Chain Management policy of the Municipality or Municipal Entity may be amended by the parties.

The reasons for the proposed amendment should be tabled in the Council of the Municipality or, in the case of a Municipal Entity the Council of its parent Municipality. The local community should be given reasonable notice of the intention to amend the contract or agreement; including an invite to submit representations to the Municipality or Municipal Entity as stated in Municipal SCM circular 62.

Such reports must include among others, the contract number, description, name of contractor, original contract amount, value and percentage of the variation and the reasons thereof.

End users also need to ensure that contract variations are not of such a level that they significantly change the contract requirement and / or substantial parts of the original transaction. If this is the case, it may be necessary to undertake another procurement process because the revised arrangements are substantially different to those selected through the original procurement. However, the Municipality should be aware of the following impacts associated with amendments, namely, financial resources and litigations.

No variation or modification of the terms of the contract may be made except by a written amendment signed by the contracted parties.

Municipalities should be aware of the impact that variation orders may have and should therefore endeavor to restrict the application to the absolute minimum through proper planning, comprehensive scope of work / Terms of Reference when inviting bids or quotations.

The Contract Management unit / function will forward the submission to the relevant committee as per municipal delegation authority for approval if consultation with legal services is required.

Upon approval, the Contract Management unit / function will issue a letter of amendment / addendum to the contractor and also inform the end-user to prepare a purchase requisition to create an order.

A contract cannot be varied after the original contract has ceased to exist.

The Contract Management unit / function will update the contract register and applicable Contract Management system

D. CONTRACT SECURED BY OTHER ORGANS OF STATE

The Municipality or Municipal Entity must obtain approval according to the municipal delegation of authority to procure goods, works and / or services under contracts secured by another organ of state. Accounting Officers should satisfy themselves that the applicable procurement processes were followed by obtaining any other information, including but not limited to, the following documents from the other organ of state:

- ❖ The bid advertisement;
- ❖ BSC, BEC and BAC appointment letters;
- ❖ Bid Evaluation report and minutes;
- ❖ Bid Adjudication report / minutes;
- ❖ Acceptance letter; and the Service Level Agreement / Contract document.

The Municipality or Municipal Entity must enter into a separate service level agreement (addendum) in line with the specification I Terms of Reference of the goods or services between the consenting service provider and the requesting municipality may not exceed the contract period concluded in the original contract of the organ of the state.

E. CONTRACT PRICE ADJUSTMENT

Contractual conditions must stipulate circumstances under which the adjustments shall be considered and the process to be followed.

When prices are subjected to adjustment as a result of escalation in prices of labour and material, the contractor must indicate the various elements of the contract price that will escalate (e.g. labour, transport, fuel, protective etc.). The baseline date and relevant index and index numbers which were used in calculating the price.

Where a firm price is quoted, application for an adjustment of price will not be considered. However, if the increased price is as a result of unforeseen circumstances beyond the control of the contractor and could lead to his / her downfall such application may be considered. (Only statutory increases and cost factors). Such adjustments are to the disadvantage of the Municipality, thus it must be approved by the Accounting Officer or delegated authority.

The contractor will submit a letter to the end-user requesting price adjustments together with documentation substantiating or motivating for the adjustment. The application should be in line with signed terms and conditions of the contract and according to pricing schedule and costs.

The end-user will submit a request to Contract Management unit for consideration, and calculation should be prepared to justify the escalation or price adjustment thereof.

Approval of the price adjustment should be done within the municipal delegation authority by the Municipal Manager.

The amendment letter will be issued to the contractor and end user on acceptance of the price adjustment.

The contract register will be updated and the applicable Contract Management system.

F. CONTRACT EXPIRY NOTIFICATION

SCM unit in collaboration with Contract Management unit / function is responsible to ensure that timeous arrangement is made to notify end users when a contract is due for renewal within 6 months or 12 months prior to expiry. Communication with the end users must be in writing and documentation must be properly filed.

G. EXTENSION OF CONTRACT

Extension of a contract is undesirable because it often leads to uncontrolled increases in the contract prices and it can also be a contributing factor to circumventing the procurement processes. Lack of proper planning does not constitute a justifiable reason for dispensing with prescribed bidding processes by extending contracts.

Where justifiable reasons are provided for extending a contract, the relevant application may be considered favourably and contractors may be approached by SCM unit with the request to indicate whether they are prepared to extend the contract period.

Approval to extend the contract should be requested before the expiry date of the contract taking into account the existing terms and conditions of the contract. It is advisable that when a contract is extended, terms and conditions remain the same.

The applicable Contract Management system must be updated.

H. TRANSVERSAL CONTRACTS

Transversal contracting enables the Municipality at all levels to purchase goods and services from a central list of approved suppliers who have been vetted for cost and quality.

Participating Municipalities will be responsible for Contract Management, placing purchase orders against transversal contracts, paying suppliers for goods / services rendered satisfactorily according to the terms and conditions of the contract, monitoring and reporting supplier performance.

I. RECORDS MANAGEMENT

It is important that the updated version of the contract incorporates any variations and correspondence related to the contract document and should be appropriately stored. This provides the basis for effecting payments and the ongoing management of the contract.

All tender documents and contract documents relating to a specific tender must be stored at the Supply Chain Management unit.

7.4 STAGE 4: CONTRACT PERFORMANCE MANAGEMENT

Performance management involves, performance monitoring, collecting data on performance, performance assessment, deciding whether performance meets the entity's needs, and taking appropriate action – such as understanding and extending features of good performance, correcting areas of under-performance; or amending contract requirements to meet changing needs.

A contract or agreement procured through the Supply Chain Management policy of a Municipality or Municipal Entity must stipulate the terms and conditions of the contract or agreement, which must include provisions for a periodic review of the contract or agreement once every three years in the case of a contract or agreement longer than three years to determine value for money.

The Accounting Officer / Authority or delegated authority of a Municipality or Municipal Entity must monitor on a monthly basis the performance of the contractor under the contract or agreement.

Performance management must be undertaken throughout the life of the contract and for all contracts, whether simple or complex. Along with performance indicators and standards, arrangements for monitoring and assessment should have been set out and agreed in the contract along with remedial action plans on non-performance.

The performance monitoring and assessment arrangements should also have been reviewed at the contract start up stage and any necessary plans, tools or systems developed. Systematic monitoring underpins performance assessment and these do not occur in isolation from one another.

Poor performance should be recorded appropriately after engagement with the contractor. It should be taken into account that if proper record is not kept, such non- performance cannot be deemed a sound reason for passing over such contractor when evaluating future bids. In addition to any contractual or other remedies that may be pursued, the municipality may commence action in terms of Municipal Supply Chain Management Regulation 15(2) (d), thus the Accounting Officer must:

- ❖ Inform the contractor or person(s) by registered mail or by delivery of the notice by hand of the intention to impose the restriction, provide the reasons for such decision and the envisaged period of restriction;
- ❖ Allow the contractor and / or person(s) fourteen (14) calendar days to provide reasons why the envisaged restriction should not be imposed;
- ❖ If requested, allow the contractor and / or person(s) the right to present evidence in person and consider reasons submitted by the contractor;
- ❖ Impose the restriction or amended restriction;
- ❖ Inform the contractor and! or person(s) of the decision; and

- ❖ Inform the National Treasury within five working days of such restriction, particulars of the person(s) to be restricted, (including, where applicable, names of the restricted persons, identity numbers, trade name of enterprises, company registration numbers, income tax reference numbers and vat registration numbers), the reason(s) for the restriction, the period of restriction and the date of commencement of the restriction.

In practice, performance will be assessed, feedback and reports provided throughout the monitoring process.

The following are the reports to monitor performance of contracts on monthly basis:

(a) PROGRESS REPORTS

- ❖ The end-user will complete a progress report indicating the stage of contract; achievement of milestones as per contract agreement; response time and deliveries within the contract period; quality of work, payments; poor performance; and actions.
- ❖ The progress report will be regularly submitted to the unit / function responsible for Performance Management for deliberations; recording discrepancies and filing. (Submission of progress reports will be determined by the nature and timeline of the project).

(b) PERFORMANCE SCORE CARDS

- ❖ The score cards will be applicable to once off purchases for goods and services where the end-user completes a score card after receipt of goods and services rating the performance of the contractor against agreed milestones and ensuring that goods / services are received within the agreed time- lines, acceptable quantity and quality. Furthermore, the score card will compel the end user to comment on the overall performance of the contractor;
- ❖ The completed score card will be submitted to the Performance Management unit for deliberations; recording and determining the aggregate performance of contractor and where applicable contractor database will be updated. (This implies that score performance cards will apply to once off purchases and progress reports will be used to assess performance of long term projects)

(c) EXPENDITURE REPORT

- ❖ The Contract Management unit will on a regular basis extract the expenditure report where the contract value will be verified against the progress payments and validity of the contract;
- ❖ Discrepancies identified should be communicated timeously to the end-user and CFO to curb irregular expenditure.

7.4.1 CONTRACT RELATIONSHIP MANAGEMENT

It is important to establish and maintain a constructive relationship with the contractor and have regular communication. Providing positive and constructive feedback will assist in maintaining such a relationship.

Overall responsibility:	Each party nominates one person with the appropriate skills and experience as its representative to be responsible for the co-ordination and management between the parties over the life of the contract.
Weekly performance:	Nominated representatives, including the contractor's service delivery manager and the project management meet formally to review performance; aimed at discussing and resolving any minor issues relating to the performance of the contract.
Contract Management:	At least quarterly, or regularly, a formal meeting is held. The meeting comprises senior representatives from the end user and the contractor. The purpose is to formally monitor performance of the contract, consider any ways in which services may be improved, amendments to service levels and resolve, where possible, any issues that remain unresolved from the weekly contract meetings.

Relationship management is focused on keeping the relationship between the two parties' open and constructive, resolving or easing tensions and identifying problems early.

Relationships should always be managed in a professional manner and be based on cooperation and mutual understanding taking into account the need for ethical behaviour.

Apart from formal monitoring, and in order to improve trust between the parties to the contract, it is important that the parties maintain regular contacts without waiting for the official reporting deadlines.

7.4.2 CONTRACT DISPUTES MANAGEMENT

A contract or agreement procured through the Supply Chain Management system of a Municipality or Municipal Entity must stipulate the terms and conditions of the contract or agreement, which must include provisions providing for dispute resolution mechanisms to settle disputes between the parties.

During the Contract Management phase, a disagreement becomes a dispute when it is not possible for the parties to resolve it without resorting to a formal resolution mechanism. Generally, what a dispute is and when it is deemed to have occurred is defined in the contract, often in a dispute resolution clause.

Many disagreements and disputes arise when the parties cannot agree on issues related to the interpretation of contract provisions, the definition of deliverables, meeting performance standards and/or the effect of unexpected events.

It is important that any possibility of dispute or an actual dispute be recognised at an early stage and addressed as quickly as possible. Avoiding escalation of disagreements can impact on contract deliverables and reduce the costs to both parties.

Where a dispute arises, the Contract Management Unit / function will obtain evidence from both parties and refer the matter to the legal service for opinion. The outcome and recommendation of the dispute will be submitted to the BAC for review and final recommendation to Accounting Officer / Authority for approval.

In the case of non-performance, a letter informing the contractor that contract conditions have not been honoured should be issued affording the contractor at least 14 days to respond. If the contractor does not respond within the specified period, the Municipality shall without prejudice under the contract consider termination of the contract

7.4.3 FORMS OF DISPUTE RESOLUTION

The following forms of dispute resolution should be considered as options in the special condition of contracts:

Negotiation:

Negotiating between the Municipality and the contractor is the most common approach to resolving disagreements and disputes. The intention of the negotiation is to reach a mutually acceptable solution, where both sides consider they have gained the best possible result in the circumstances. It is important that one party does not consider they have been unduly pressured to agree to a particular solution as a result of the negotiation as this can lead to an escalation or reappearance of the dispute at a later stage.

Mediation:

Mediation involves the use of a neutral third party to assist in resolving the dispute. The mediator does not impose a decision on the parties in the way a court or arbitrator does, but instead seeks to help the parties resolve the dispute themselves. Mediation is usually regarded as a faster, less formal and less costly process than court proceedings or arbitration.

Arbitration:

The aim of arbitration is to obtain a final and enforceable result without the costs, delays and the formalities of litigation. Arbitration proceedings are private, can be held at a mutually convenient time and the actual proceedings are less complex than litigation.

Litigation:

Litigation is the act or process of contesting a lawsuit or seeking redress through the courts. It can be an expensive and time consuming procedure and is generally taken when other avenues of dispute resolution have not been successful or are not available. Other approaches to resolving disputes or Contractor defaults should therefore be considered prior to litigation

7.4.4 RISKS RELATED TO CONTRACT MANAGEMENT

Contract risk must be appropriately managed such that:

- ❖ All contracts set out risk identification, monitoring and escalation procedures and mechanisms which are in line with the institutions enterprise risk management plan.
- ❖ All contracts identify contingency plans for supplier or buyer failure.
- ❖ For key suppliers and buyers, the contract manager monitors the financial health, tax compliance and overall performance of the supplier or buyer.
- ❖ Contract terms and potential ramifications around key issues including: termination; warranty; indemnity; security; confidentiality; and dispute resolution are understood by the contract manager.

7.4.5 PENALTIES

Penalties between the Municipality and the contractor may include:

- ❖ Penalties: In accordance with paragraph 22 of the General Conditions of Contract, the Municipality/Entity will have the right to enforce the penalty clause on goods, works and services where the contractor fails to perform in accordance with contractual obligations.
- ❖ These penalties usually vary according to several factors, including the type of breach and its severity, duration, frequency, and effect on customers.
- ❖ The benefit of this approach is that the penalties are clear, agreed on, and more easily enforceable than a general claim for damages.

Some of the risks involved with contracts and penalty clauses to be applied per nature of contract:

Risk	Penalty clause
Late delivery	<ul style="list-style-type: none">❖ Where deliveries are made (after the agreed delivery date), the purchaser has the right to enforce the penalty clause by deducting from the contract price a sum calculated on the delivered price of delayed goods or unperformed services using the ruling prime interest rate calculated for each day of the delay until actual delivery of performance❖ In case of a delay in excess of 4 weeks, the Municipality is entitled to declare the order null and void without any cost being charged for this. The statutory cases of force majeure are considered to be reasons to suspend the agreement if they make the execution of the order impossible and in so far the supplier notifies the Municipality in writing within 5 days.
Non delivery	<ul style="list-style-type: none">❖ Termination of the contract if delivery does not take place within 4 months or cancellation of the order. (To reduce open ended commitments)

	<ul style="list-style-type: none"> ❖ In the event of non-delivery, and upon comprehensive justification that the contractor has been engaged to remedy the unsatisfactory performance, the Municipality may impose as a penalty, a sum calculated on the delayed goods or unperformed services using the current prime interest rate calculated for each day of the actual performance
Inferior quality	<ul style="list-style-type: none"> ❖ Enforcement of contract conditions ❖ Settlement of disputes
Inability of contractor to perform as required	<ul style="list-style-type: none"> ❖ Performance securities should be applied. The contract should dictate what must happen with the security if the contract is not to be completed and the Municipality suffered losses, the performance security shall be utilized to compensate for any loss. The SCC must specify the performance security amount.
Buy out transactions from transversal contracts	<ul style="list-style-type: none"> ❖ When the time provided for the contractor to respond to the claim of non-performance has lapsed, the Municipality can buy out and any difference in cost must be recovered from the contractor
Sub-contractors not performing	<ul style="list-style-type: none"> ❖ Disputes must be resolved between the main contractor and his sub-contractors ❖ Liability and obligations are under the contractor ❖ Enforce Termination of default ❖ Prohibit supplier from rendering any goods, service, and works in organ of state – Restrict supplier on the National Treasury 's Central Supplier Database
Skills not transferred in terms of consultants services	<ul style="list-style-type: none"> ❖ The Municipality shall deduct from the contract price a percentage as a penalty for not transferring skills or for underperformed service.
Breach of contract	<ul style="list-style-type: none"> ❖ Termination of default and recover any loss which the Municipality suffered as a result of arranging another contract
Contractor unfairly benefited using wrong preference points	<ul style="list-style-type: none"> ❖ Misrepresentation of preference points should constitute termination of contract if it is justifiable and will be defendable in the court of law ❖ Impose a penalty of a percentage of the monetary value of the contract
Prohibition of State employees doing business with state	<ul style="list-style-type: none"> ❖ No contracts must be awarded to state employees

7.4.6 TRANSFER AND CEDING OF CONTRACTS

The General Conditions of Contract section 19.1 dictate that the supplier shall not assign, in whole or in part, its obligations to perform under the contract except with the purchaser's prior written consent.

The Special Conditions of Contract should stipulate the conditions under which transfers / cessions shall be considered and the processes to be followed under such circumstances.

Applications for transfers / cession shall be completed and signed by both the transferor and the transferee and countersigned by two parties.

Full reasons for the transferring of the contract must be provided and the transferee's ability to carry out the contract must be established and reported to the Accounting Officer or delegate.

Unless it is otherwise in the best interest of the Municipality, it is unlikely that the transfer will be approved if the Municipality would suffer a loss as a result thereof or if there is an increased risk to the Municipality.

The principle of fairness dictates that should the contract be transferred to another provider it must be checked whether the number of preference points scored is at least the same or more than that scored by the original contractor. Thus it should be indicated if the transfer would have had an influence on the award. However the circumstances leading to the transfer must be pointed out and taken into consideration.

The contractor will raise the issue with the user division in writing where after the user division must comment on the viability of the transfer / cession and submit the request to the SCM unit / CSC.

If the transfer / cession is not viewed favourably for a justifiable reason, the SCM unit must inform the contractor of the decision in writing and provide the user division with the copies of the correspondence for filing purposes.

If the transfer / cession is viewed favourably, the SCM unit must involve Legal Services for the purposes of drawing up the transfer / cession documentation.

The SCM unit must facilitate the signing of the transfer / cession by all parties, must forward a copy to the user division and the contractor and must file the original signed transfer / cession documentation appropriately.

If the transfer/cession is not approved the original contractor will still be accountable to execute the contract.

7.4.7 TERMINATION OF THE CONTRACT AND EXIT FROM THE RELATIONSHIP

Contract termination is the last resort to be sought by Municipality when dealing with disputes and non-performance. It should be taken into consideration that solving disputes through courts usually costs a lot of time and money.

Termination of a contract may be considered for a variety of reasons, such as non-compliance with contract conditions, delayed deliveries, bribery, death or sequestration/liquidation of the contractor.

If termination is considered, the following factors must be addressed to the Bid Adjudication Committee:

- ❖ The particular contract condition empowering the action for the purpose of resolving any dispute;
- ❖ What further arrangements will be made for completing the contract;
- ❖ Whether additional cost will be recovered from the contractor; and
- ❖ Payment of work already executed prior to cancellation of the contract.

The contract should contain detailed provisions on the mechanism to terminate all or part of the contract and exit from the relationship.

Under the following conditions, Municipalities may consider their rights to terminate the contracts through delegated authority if they are appropriately drafted:

- ❖ Failure to meet the service performance targets for critical services on a repeated basis;
- ❖ Failure to meet a certain number of service performance targets during a specified period or supplier has engaged in corrupt and fraudulent practices during the bidding process or the execution of the contract;
- ❖ Material breach of terms and conditions with the breach being either irreparable or not having been remedied within a specified period;
- ❖ Major financial difficulties being encountered by the contractors (e.g. under liquidation);
- ❖ Failure to meet mandatory requirements or failure to acquire certain accreditation or licence or approval during the life of the contract.

Exit provisions should be included in the contract to cover specific rights that will be required for termination, such as:

- ❖ The continued provision of the services following the notification of termination.
- ❖ The right of Municipalities or the new contractors, if necessary, to approach key members of the contractor's staff and to offer them jobs so as to retain the delivery capability;
- ❖ The right to perform inventory check of assets owned by Municipalities;
- ❖ The right to transfer ownership of assets and equipment upon termination and
- ❖ The migration of data and systems and the provision of relevant information to Municipalities or the new contractor.

Contracts must include the possibility to be terminated. This will normally include the details of timing including periods of notice (exit clause) and direction on the payment upon termination. The contract or agreement will have stated the initial term with specified period after which either party may terminate or renew the agreement, provided both parties agree to the terms and conditions.

Termination of a contract is usually detrimental to the municipality; therefore, serious thought must be given to the grounds for considering termination with legal assistance.

The Contract Management System must be updated by cancelling the contract on the system and contract register.

7.5 STAGE 5: CLOSE OUT

This stage refers to the necessary actions to end or reconsider the contractor for future agreement and associated performance review. The activities associated with closing the project down, whether in accordance with the contract or as a result of early termination.

At the completion of the contract, the end-user will provide the contract close out report indicating overall performance of the contractor; stage of contract; achievement of milestones against the original contract agreement and timelines, payments; poor performance; action and other observation.

The close out report will be submitted to Contract / Performance Management team for deliberation; filing purposes; recording discrepancies and where applicable a register and appropriate contract system will be updated. A close out report is applicable to contracts irrespective of contract period.

Different activities of course are associated with the different forms that contract termination can take. In the case of more complex, long-term or construction contracts ending in accordance with the original contract plan, best practice requires the need for evidence that the contract has been completed to the satisfaction of all parties. This is normally carried out in two stages;

- ❖ To ascertain internally that there are no outstanding matters and,
- ❖ To secure agreement from contractor(s) that, apart from agreed ongoing liabilities, the contract(s) has ended.

The aim of the closure procedure is to provide a mechanism for managing the closure of the contract following the end of any retention or guarantee periods and the resolution of all other outstanding matters. The procedure is designed (where and if applicable) to:

- ❖ Ensure completion of all administrative matters;
- ❖ Record that all technical issues have been completed;
- ❖ Determine the extent of any liquidated damages to be deducted from the contract price;
- ❖ Record the end of the retention and guarantee periods and the date of the final inspection carried out;
- ❖ Record the date of release of retention and / or bank guarantees;
- ❖ To agree a statement of specific limits on continuing contractual obligations after completion of work and any ongoing obligations following the end of guarantees or maintenance periods;
- ❖ Transfer any assets, including data and intellectual property, and any loan items;
- ❖ Transfer operational systems to the successful contractor;
- ❖ Record the process of final contract payments and a summary of the financial payments made and received;
- ❖ Summarise claims made against or received from the contractor;
- ❖ Ensure the retention of records relating to the contract to counter any subsequent claims that may be brought. The Limitation sets out the general periods for six years or twelve years according to the type of contract within which an action may be brought.

On completion of this activity, agreement should have been reached on all technical and commercial aspects of the contract. The agreement should require the signature of the parties to a document which records the acceptance of the work or service, the obligations fulfilled and the price paid or to be paid.

Another important activity conducted at this stage, particularly in the case of high value, large contracts, is the preparation of a post-contract project report. This may follow a formal post-contract review, undertaken to assess the business benefits or losses from carrying out the procurement, how those benefits may be further enhanced and / or costs and risks reduced and how the losses can be recouped and turned to benefits.

The review should also gather the lessons that can be learnt from the management processes and procedures followed during the contract and implemented in the future. The review should include the views of all stakeholders and the report should relate to the costs and benefits set out in the original business.

8 PROCEDURE WHEN DRAFTING CONTRACTS

8.1 All contracts of the Rustenburg Local Municipality should be in writing and should at least include the following:

- ❖ Termination of the agreement in case of non-performance or underperformance
- ❖ Dispute resolution mechanisms to settle disputes between the parties
- ❖ Price of the goods or services to be delivered to the Municipality and how performance will be evaluated
- ❖ Penalties in case of non-performance or underperformance
- ❖ Duration of the contract
- ❖ A periodic review of the contract or agreement once every three years in the case of a contract or agreement lasting longer than three years

8.2 All contracts that have serious financial implications for the Municipality should be handed over to the Municipal's legal adviser for review before being signed by the accounting officer or delegated official.

8.2.1 The following are regarded as contracts that have serious financial implications:

- ❖ A contract value to the amount of R200 001,00 or more; and/or
- ❖ a contract for a period of 12 months and more.

9 PROCEDURE AFTER DRAFTING CONTRACTS

9.1 After the contract has been signed by the Municipal Manager, it should be entered the contract register that should be maintained by the contract administration officer.

9.2 The register should at least include the following information (See Annexure D):

- ❖ Date that the contract was signed
- ❖ Contract value
- ❖ Contract start and end date
- ❖ Authority number
- ❖ Contract number
- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided
- ❖ Duration of the contract
- ❖ Penalties under the contract
- ❖ Review date, if it is a contract of more than three years
- ❖ Remarks/Comments
- ❖ Financial implications, e.g. increase in rent amount

9.3 The contract administration officer should update this register monthly with all contracts entered into by the Municipal during that month.

9.4 A separate register should be maintained for contracts above R500 000 in addition to the register mentioned in 8.1 above. The following information should be included in that register (See Annexure E):

- ❖ Contract number

- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided
- ❖ Duration of the contract
- ❖ Penalties under the contract
- ❖ Payments made to date
- ❖ Penalties paid by the municipality or contractor
- ❖ Amendment to the contract
- ❖ Remarks from site meeting or contract steering committee meeting that have impact on the contract
- ❖ Progress report from the head of department that procured the goods or services
- ❖ Financial implications

9.5 The contract administration officer should update this additional register monthly with all the information affecting the contract, and comments from the head of department that procured the goods.

10 PROCEDURE FOR REVIEW OR CANCELLATION OF CONTRACTS

10.1 The head of SCM should inform the relevant head of department and/or municipal manager about the date of the review of the contract, at a reasonable period before the review date.

10.2 In case of non-performance or underperformance by the contractor, remedies as outlined in the contract should be used by the Municipal.

11 AMENDMENT OF A CONTRACT

A contract or agreement procured through the SCM policy of the municipality or municipal entity may be amended by the parties, but only after—

- a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and the local community—
 - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
 - (ii) has been invited to submit representations to the municipality or municipal entity.

12 REPORTING TO THE COUNCIL

12.1 The head of the SCM Division, with the assistance of the contract administration officer, should prepare monthly reports for submission to the accounting officer on the state of all contracts entered into through the Municipal's SCM system.

This report is required by section 116(d) of the MFMA.

12.2 The following information should be contained in the report (See Annexure F):

- ❖ Contract number
- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided

- ❖ Duration of the contract
- ❖ Penalties under the contract
- ❖ Payments made to date
- ❖ Penalties paid by the municipality or contractor
- ❖ Amendments to the contract
- ❖ Remarks from site meeting or contract steering committee meeting that have impact on the contract
- ❖ Progress report from the head of department that procured the goods or services
- ❖ Any delays that might have an impact on the completion of the contract

13 REPORTING TO THE NATIONAL TREASURY

- 13.1 The Group Chief Financial Officer is required to submit information in respect of each contract and advertised quotations from R30 000 to R200 000 (VAT inclusive) and tenders from R200 000 and above, and must be signed by all parties to the National Treasury.
- 13.2 A report must be submitted each time a contract is awarded and signed by no later than 15 days after the end of each month.
- 13.3 Completed reports are to be emailed to the National Treasury at contracts@treasury.gov.za or by facsimile to 012 326 5445.
- 13.4 The following information should be contained in the report:
- ❖ Name of the municipality
 - ❖ Contract reference number
 - ❖ Contract signing date
 - ❖ Contract description
 - ❖ Name of contractor
 - ❖ Percentage equity ownership by black persons (no franchise prior to elections) based on information provided in Municipal Bid Document (MBD) 6.1
 - ❖ Percentage equity ownership by black women based on information provided in MBD 6.1
 - ❖ Percentage equity ownership by white women based on information provided in MBD 6.1
 - ❖ Outsourced/subcontracted businesses to small businesses as a percentage of the annual turnover based on information provided in MBD 6.3, if applicable
 - ❖ Percentage local content of final product in relation to the bid price based on the information provided in MBD 6.4, if applicable
 - ❖ Total contract price (A)
 - ❖ Total price of lowest acceptable bid (price of bid scoring the highest points for price) (B)
 - ❖ Premium paid to promote specified goals (C) ($C=A-B$)
 - ❖ Percentage premium paid ($C/B \times 100$)

14 PROCEDURE FOR PERFORMANCE MANAGEMENT

- 14.1 Key components of an effective performance approach:
- ❖ Establish appropriate key performance indicators that are aligned with contract objectives

- ❖ Set clear targets
- ❖ Define monitoring and reporting process

14.2 The following KPIs must be applicable:

Quality	Level of goods/services delivered
Outputs	Total output delivered by supplier to deliver contract
Productivity	Measured output produced/delivered per unit (services performed per day)
Cost	Total cost incurred to deliver service/good
Savings	Total savings delivered by the supplier to deliver the contract
Responsiveness	Lead-time to respond to requests
Customer delivery	Percentage of orders delivered

15 PROCEDURE FOR CONTRACT PRICE ESCALATION

- 15.1 An appropriate contract adjustment formula must be specified in the bid documents if deemed necessary (Annexure A).
- 15.2 Escalation notification must be in writing and presented before implementation for approval.

16 GENERAL AND SPECIAL CONTRACT CONDITIONS

- 16.1 To strive towards uniformity, all contracts must be based on the General Conditions of Contract (GCC), issued by the National Treasury (Annexure B).
- 16.2 Any aspect not covered by the GCC should be dealt with in the Special Contract Conditions (SCC).
- 16.3 These conditions should form an integral part of the bidding documents.
- 16.4 Accounting officers/authorities should ensure that the prescripts of the PPPFA and the regulations pertaining thereto, are adhered to.
- 16.5 The basis for bid evaluation and selection should be clearly outlined in the instructions to bidders and/or in the specifications.

CONCLUSION

This policy is applicable to all Rustenburg Local Municipality officials and must be implemented from the date of approval.

Annexure A

Contract Price Escalation

1 Price adjustments due to escalation

- 1.1 The procedure requires a careful analysis of all related aspects that will influence the adjusted price, including the cost for the additional administrative work.
- 1.2 If the accounting officer/authority resolves to allow price escalation as part of the contract, this should be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments should be considered.

2 Price adjustments due to the fluctuation in the Rate of Exchange (ROE)

- 2.1 Rate of exchange claims relate to the fluctuation of other currencies in relation to the South African rand. When the government advertises bids which might involve imported contents, whether wholly or partially, the ROE and future fluctuations are of vital importance, especially if it is a transversal contract for delivery over a specified period of more than one year.
- 2.2 The decision of who should take responsibility for any absorption of the fluctuation of a currency is similar to a decision of allocating risk. In this regard, there are two extreme possibilities:
 - ❖ The supplier should bear all the risk and it is prescribed that the price will be fixed for the tenure of the contract, irrespective of the fluctuation of the currency. In such a case the supplier is free to arrange forward cover and/or to increase his/her price at bidding stage to cater for any fluctuation, thereby taking the risk of not being the successful bidder. Whatever route the supplier opts to follow, it will probably lead to an increase in price at the original bidding stage. This might lead to a situation at the commencement of the contract where the government will be obliged to pay more for the product than the retail price to the general public.
 - ❖ The government can absorb the risk and suppliers may bid firm prices, subject to ROE variation. In such cases the supplier(s) may apply for price increases/decreases when the currency fluctuates in relation to the agreed currency. The problem in this regard is that the prices are not always adjusted when the Rand appreciates. In such cases, it is of vital importance that the accounting officer/authority ensures that prices are adjusted to the benefit of the State.
- 2.3 The ideal would be to find a balanced approach between the above extremes, considering other contributing factors that will influence the final price. According to proposals by the World Bank, price increases based on ROE should not be allowed if the tenure of a contract is less than 18 months. Due to the recent fluctuations of the Rand, this might be a very long period when seen in the South African context and a period of twelve months may be more appropriate.
- 2.4 The local and imported contents of the products under consideration will also have a vital impact on determining prices. Another aspect that will also impact on the determination of prices will be the frequency of price adjustments. If the contract allows for a monthly adjustment of prices, the supplier hardly bears any risk in this regard. Prescribing that

price adjustments will only be considered at prescribed intervals (say every three months), it will, in a sense, split the risk between the State and the supplier.

- 2.5 It is therefore suggested that the accounting officer/authority, after thorough analysis of relevant information, determine on a case-by-case basis the optimum route to be followed for each commodity. It should, however, be emphasized that price adjustments based on ROE fluctuations should only be allowed on the imported contents of the commodity and only meet the suppliers' additional costs of the imported content.

Annexure B

General and Special Conditions of Contract

GOVERNMENT PROCUREMENT

GENERAL CONDITIONS OF CONTRACT

NOTES

The purpose of this document is to –

- (i) draw special attention to certain general conditions applicable to government bids, contracts and orders; and
- (ii) ensure that clients are familiar with the rights and obligations of all parties involved in doing business with the government.

In this document words in the singular also mean in the plural and vice versa and words in the masculine also mean in the feminine and neuter.

- ❖ The General Conditions of Contract (GCC) will form part of all bid documents and may not be amended.
- ❖ Special Conditions of Contract (SCC) relevant to a specific bid, should be compiled separately for every bid (if applicable) and will supplement the General Conditions of Contract. Whenever there is a conflict, the provisions in the SCC will prevail.

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- 23. Termination for default
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- 29. Governing language
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- 31. Notices
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- 33. National Industrial Participation Programme (NIPP)
- 34. Prohibition of restrictive practices

DRAFT

General Conditions of Contract

1. Definitions

The following terms will be interpreted as indicated:

1.1 "Closing time" means the date and hour specified in the bidding documents for the receipt of bids.

1.2 "Contract" means the written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.

1.3 "Contract price" means the price payable to the supplier under the contract for the full and proper performance of his contractual obligations.

1.4 "Corrupt practice" means the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution.

1.5 "Countervailing duties" are imposed in cases where an enterprise abroad is subsidised by its government and encouraged to market its products internationally.

1.6 "Country of origin" means the place where the goods were mined, grown or produced or from which the services are supplied. Goods are produced when, through manufacturing, processing or substantial and major assembly of components, a commercially recognised new product results that is substantially different in basic characteristics or in purpose or utility from its components.

1.7 "Day" means calendar day.

1.8 "Delivery" means delivery in compliance of the conditions of the contract or order.

1.9 "Delivery ex stock" means immediate delivery directly from stock actually on hand.

1.10 "Delivery into consignee's store or to his site" means delivered and unloaded in the specified store or depot or on the specified site in compliance with the conditions of the contract or order, the supplier bearing all risks and charges involved until the supplies are so delivered and a valid receipt is obtained.

1.11 "Dumping" occurs when a private enterprise abroad markets its goods on own initiative in the RSA at lower prices than that of the country of origin and which have the potential to harm the local industries in the RSA.

1.12 "Force majeure" means an event beyond the control of the supplier, not involving the supplier's fault or negligence, and was not foreseeable. Such events may include, but is not restricted to, acts of the purchaser in its sovereign capacity, wars or revolutions, fires, floods, epidemics, quarantine restrictions and freight embargoes.

1.13 "Fraudulent practice" means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of any bidder, and includes collusive practice among bidders (prior to or after bid submission) designed to establish bid prices at artificial non-competitive levels and to deprive the bidder of the benefits of free and open competition.

1.14 “GCC” means the General Conditions of Contract.

1.15 “Goods” means all the equipment, machinery, and/or other materials that the supplier is required to supply to the purchaser under the contract.

1.16 “Imported content” means that portion of the bidding price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or his 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 place of entry, as well as transportation and handling charges to the factory in the Republic where the supplies covered by the bid will be manufactured.

1.17 “Local content” means that portion of the bidding price which is not included in the imported content, provided that local manufacture does take place.

1.18 “Manufacture” means the production of products in a factory using labour, materials, components and machinery and includes other related value-adding activities.

1.19 “Order” means an official written order issued for the supply of goods, works or the rendering of a service.

1.20 “Project site,” where applicable, means the place indicated in bidding documents.

1.21 “Purchaser” means the organisation purchasing the goods.

1.22 “Republic” means the Republic of South Africa.

1.23 “SCC” means the Special Conditions of Contract.

1.24 “Services” means those functional services supplementary to the supply of the goods, such as transportation and any other incidental services, such as installation, commissioning, provision of technical assistance, training, catering, gardening, security, maintenance and other such obligations of the supplier covered under the contract.

1.25 “Written” or “in writing” means handwritten in ink or any form of electronic or mechanical writing.

2. Application

2.1 These general conditions are applicable to all bids, contracts and orders including bids for functional and professional services, sales, hiring, letting and the granting or acquiring of rights, but excluding immovable property, unless otherwise indicated in the bidding documents.

2.2 Where applicable, special conditions of contract are also laid down to cover specific supplies, services or works.

2.3 Where such special conditions of contract conflict with these general conditions, the special conditions will apply.

3. General

3.1 Unless indicated otherwise in the bidding documents, the purchaser will not be liable for any expense incurred in the preparation and submission of a bid. Where applicable, a non-refundable fee for documents may be charged.

3.2 With certain exceptions, invitations to bid are only published in the Government Tender Bulletin. The Government Tender Bulletin may be obtained directly from the Government Printer, Private Bag X85, Pretoria 0001, or accessed electronically from www.treasury.gov.za

4. Standards

4.1 The goods supplied will conform to the standards mentioned in the bidding documents and specifications.

5. Use of contract documents and information; inspection

5.1 The supplier will not, without the purchaser's prior written consent, disclose the contract, or any provision thereof, or any specification, plan, drawing, pattern, sample, or information furnished by or on behalf of the purchaser in connection therewith, to any person other than a person employed by the supplier in the performance of the contract. Disclosure to any such employed person will be made in confidence and will extend only so far as may be necessary for purposes of such performance.

5.2 The supplier will not, without the purchaser's prior written consent, make use of any document or information mentioned in GCC clause 5.1, except for purposes of performing the contract.

5.3 Any document, other than the contract itself mentioned in GCC clause 5.1, will remain the property of the purchaser and will be returned (all copies) to the purchaser on completion of the supplier's performance under the contract if so required by the purchaser.

5.4 The supplier will permit the purchaser to inspect the supplier's records relating to the performance of the supplier and to have them audited by auditors appointed by the purchaser, if so required by the purchaser.

6. Patent rights

6.1 The supplier will indemnify the purchaser against all third-party claims of infringement of patent, trademark, or industrial design rights arising from use of the goods or any part thereof by the purchaser.

7. Performance security

7.1 Within thirty (30) days of receipt of the notification of contract awarded, the successful bidder will furnish the purchaser with the performance security of the amount specified in the SCC.

7.2 The proceeds of the performance security will be payable to the purchaser as compensation for any loss resulting from the supplier's failure to complete his obligations under the contract.

7.3 The performance security will be denominated in the currency of the contract, or in a freely convertible currency acceptable to the purchaser and will be in one of the following forms:

(a) a bank guarantee or an irrevocable letter of credit issued by a reputable bank located in the purchaser's country or abroad, acceptable to the purchaser, in the form provided in the bidding documents or another form acceptable to the purchaser

(b) a cashier's or certified cheque

7.4 The performance security will be discharged by the purchaser and returned to the supplier not later than thirty (30) days following the date of completion of the supplier's performance obligations under the contract, including any warranty obligations, unless otherwise specified in the SCC.

8. Inspections, tests and analyses

8.1 All pre-bidding testing will be for the account of the bidder.

8.2 If it is a bid condition that supplies to be produced or services to be rendered should, at any stage during production or execution or on completion, be subject to inspection, the premises of the bidder or contractor will be open, at all reasonable hours, for inspection by a representative of the department or an organisation acting on behalf of the department.

8.3 If there are no inspections requirements indicated in the bidding documents and no mention is made in the contract, but during the contract period it is decided that inspections will be carried out, the purchaser will make the necessary arrangements itself, including payment arrangements with the testing authority concerned.

8.4 If the inspections, tests and analyses referred to in clauses 8.2 and 8.3 show the supplies to be in accordance with the contract requirements, the cost of the inspections, tests and analyses will be defrayed by the purchaser.

8.5 Where the supplies or services referred to in clauses 8.2 and 8.3 do not comply with the contract requirements, irrespective of whether such supplies or services are accepted or not, the cost regarding these inspections, tests or analyses will be defrayed by the supplier.

8.6 Supplies and services which are referred to in clauses 8.2 and 8.3 and which do not comply with the contract requirements may be rejected.

8.7 Any contract supplies may be inspected on or after delivery, may be tested or analysed and may be rejected if found not to comply with the requirements of the contract. Such rejected supplies will be held at the cost and risk of the supplier who will, when called upon, remove them immediately at his own cost and forthwith substitute them with supplies which do comply with the requirements of the contract. Failing such removal, the rejected supplies will be returned at the supplier's cost and risk. Should the supplier fail to provide the substitute supplies forthwith, the purchaser may, without giving the supplier further opportunity to substitute the rejected supplies, purchase such supplies as may be necessary at the expense of the supplier.

8.8 The provisions of clauses 8.4 to 8.7 will not prejudice the right of the purchaser to cancel the contract because a breach of the conditions thereof, or to act in terms of Clause 23 of the GCC.

9. Packing

9.1 The supplier will provide such packing of the goods as is required to prevent their damage or deterioration during transit to their final destination, as indicated in the contract. The packing will be sufficient to withstand, without limitation, rough handling during transit and exposure to

extreme temperatures, salt and precipitation during transit, and open storage. Packing, case size and weights will take into consideration, where appropriate, the remoteness of the goods' final destination and the absence of heavy handling facilities at all points in transit.

9.2 The packing, marking, and documentation within and outside the packages will comply strictly with such special requirements as will be expressly provided for in the contract, including additional requirements, if any, specified in the SCC, and in any subsequent instructions ordered by the purchaser.

10. Delivery and documents

10.1 Delivery of the goods will be made by the supplier in accordance with the terms specified in the contract. The details of shipping and/or other documents to be furnished by the supplier are specified in the SCC.

10.2 Documents to be submitted by the supplier are specified in the SCC.

11. Insurance

11.1 The goods supplied under the contract will be fully insured in a freely convertible currency against loss or damage incidental to manufacture or acquisition, transportation, storage and delivery in the manner specified in the SCC.

12. Transportation

12.1 Should a price other than an all-inclusive delivered price be required, this will be specified in the SCC.

13. Incidental services

13.1 The supplier may be required to provide any or all of the following services, including additional services, if any, specified in the SCC:

- (a) performance or supervision of on-site assembly and/or commissioning of the supplied goods;
- (b) furnishing of tools required for assembly and/or maintenance of the supplied goods;
- (c) furnishing of a detailed operations and maintenance manual for each appropriate unit of the supplied goods;
- (d) performance or supervision or maintenance and/or repair of the supplied goods, for a period agreed upon by the parties, provided that this service will not relieve the supplier of any warranty obligations under this contract; and
- (e) training of the purchaser's personnel, at the supplier's plant and/or on-site, in assembly, start-up, operation, maintenance, and/or repair of the supplied goods.

13.2 Prices charged by the supplier for incidental services, if not included in the contract price for the goods, will be agreed upon in advance by the parties and will not exceed the prevailing rates charged to other parties by the supplier for similar services.

14. Spare parts

14.1 As specified in the SCC, the supplier may be required to provide any or all the following materials, notifications, and information pertaining to spare parts manufactured or distributed by the supplier:

- (a) Such spare parts as the purchaser may elect to purchase from the supplier, provided that this election will not relieve the supplier of any warranty obligations under the contract
- (b) In the event of termination of production of the spare parts –
 - (i) advance notification to the purchaser of the pending termination, in sufficient time to permit the purchaser to procure needed requirements; and
 - (ii) following such termination, furnishing at no cost to the purchaser, the blueprints, drawings, and specifications of the spare parts, if requested.

15. Warranty

15.1 The supplier warrants that the goods supplied under the contract are new, unused, of the most recent or current models, and that they incorporate all recent improvements in design and materials, unless provided otherwise in the contract. The supplier further warrants that all goods supplied under this contract will have no defect, arising from design, materials, or workmanship (except when the design and/or material is required by the purchaser's specifications) or from any act or omission by the supplier, that may develop under normal use of the supplied goods in the conditions prevailing in the country of final destination.

15.2 This warranty will remain valid for twelve (12) months after the goods, or any portion thereof as the case may be, have been delivered to and accepted at the final destination indicated in the contract, or for eighteen (18) months after the date of shipment from the port or place of loading in the source country, whichever period concludes earlier, unless specified otherwise in the SCC.

15.3 The purchaser will promptly notify the supplier in writing of any claims arising under this warranty.

15.4 Upon receipt of such notice, the supplier will, within the period specified in the SCC and with all reasonable speed, repair or replace the defective goods or parts thereof, without costs to the purchaser.

15.5 If the supplier, having been notified, fails to remedy the defect(s) within the period specified in the SCC, the purchaser may proceed to take such remedial action as may be necessary, at the supplier's risk and expense and without prejudice to any other rights which the purchaser may have against the supplier under the contract.

16. Payment

16.1 The method and conditions of payment to be made to the supplier under this contract will be specified in the SCC.

16.2 The supplier will furnish the purchaser with an invoice accompanied by a copy of the delivery note and upon fulfilment of other obligations stipulated in the contract.

16.3 Payments will be made promptly by the purchaser, but in no case later than thirty (30) days after submission of an invoice or claim by the supplier.

16.4 Payment will be made in Rand unless otherwise stipulated in the SCC.

17. Prices

17.1 Prices charged by the supplier for goods delivered and services performed under the contract will not vary from the prices quoted by the supplier in his bid, with the exception of any

price adjustments authorised in the SCC or in the purchaser's request for bid validity extension, as the case may be.

18. Contract amendments

18.1 No variation in or modification of the terms of the contract will be made except by a written amendment signed by the parties concerned.

19. Assignment

19.1 The supplier will not assign, in whole or in part, its obligations to perform under the contract, except with the purchaser's prior written consent.

20. Subcontracts

20.1 The supplier will notify the purchaser in writing of all subcontracts awarded under these contracts if not already specified in the bid. Such notification, in the original bid or later, will not relieve the supplier from any liability or obligation under the contract.

21. Delays in the supplier's performance

21.1 Delivery of the goods and performance of services will be made by the supplier in accordance with the time schedule prescribed by the purchaser in the contract.

21.2 If at any time during performance of the contract, the supplier or its subcontractor(s) should encounter conditions impeding timely delivery of the goods and performance of services, the supplier will promptly notify the purchaser in writing of the fact of the delay, its likely duration and its cause(s). As soon as practicable after receipt of the supplier's notice, the purchaser will evaluate the situation and may, at his discretion, extend the supplier's time for performance, with or without the imposition of penalties, in which case the extension will be ratified by the parties by amendment of contract.

21.3 No provision in a contract will be deemed to prohibit the obtaining of supplies or services from a national department, provincial department or a local authority.

21.4 The right is reserved to procure small quantities or to have minor essential services executed if an emergency arises outside of the contract if the supplier's point of supply is not situated at or near the place where the supplies are required, or if the supplier's services are not readily available.

21.5 Except as provided under GCC Clause 25, a delay by the supplier in the performance of its delivery obligations will render the supplier liable to the imposition of penalties, pursuant to GCC Clause 22, unless an extension of time is agreed upon pursuant to GCC Clause 21.2 without the application of penalties.

21.6 Upon any delay beyond the delivery period in the case of a supplies contract, the purchaser will, without cancelling the contract, be entitled to purchase supplies 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 supplier's expense and risk, or to cancel the contract and buy such goods as may be required to complete the contract and without prejudice to his other rights, be entitled to claim damages from the supplier.

22. Penalties

22.1 Subject to GCC Clause 25, if the supplier fails to deliver any or all of the goods or to perform the services within the period(s) specified in the contract, the purchaser will, without prejudice to its other remedies under the contract, deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day of the delay until actual delivery or performance. The purchaser may also consider termination of the contract pursuant to GCC Clause 23.

23. Termination for default

23.1 The purchaser, without prejudice to any other remedy for breach of contract, by written notice of default sent to the supplier, may terminate this contract in whole or in part –

- (a) if the supplier fails to deliver any or all of the goods within the period(s) specified in the contract, or within any extension thereof granted by the purchaser pursuant to GCC Clause 21.2;
- (b) if the supplier fails to perform any other obligation(s) under the contract; or
- (c) if the supplier, in the judgment of the purchaser, has engaged in corrupt or fraudulent practices in competing for or in executing the contract.

23.2 In the event that the purchaser terminates the contract in whole or in part, the purchaser may procure, upon such terms and in such manner as it deems appropriate, goods, works or services similar to those undelivered, and the supplier will be liable to the purchaser for any excess costs for such similar goods, works or services. However, the supplier will continue performance of the contract to the extent not terminated.

24. Anti-dumping and countervailing duties and rights

24.1 When, after the date of bid, provisional payments are required, or anti-dumping or countervailing duties are imposed, or the amount of a provisional payment or anti-dumping or countervailing right is increased in respect of any dumped or subsidised import, the State is not liable for any amount so required or imposed, or for the amount of any such increase. When, after the said date, such a provisional payment is no longer required or any such anti-dumping or countervailing right is abolished, or where the amount of such provisional payment or any such right is reduced, any such favourable difference will be paid forthwith on demand by the contractor to the State or the State may deduct such amounts from moneys (if any) which may otherwise be due to the contractor with regard to supplies or services which he delivered or rendered, or is to deliver or render in terms of the contract or any other contract or any other amount which may be due to him.

25. Force Majeure

25.1 Notwithstanding the provisions of GCC Clauses 22 and 23, the supplier will not be liable for forfeiture of its performance security, damages, or termination for default if, and to the extent that, his delay in performance or other failure to perform his obligations under the contract is the result of an event of force majeure.

25.2 If a force majeure situation arises, the supplier will promptly notify the purchaser in writing of such condition and the cause thereof. Unless otherwise directed by the purchaser in writing, the supplier will continue to perform its obligations under the contract as far as is reasonably practical, and will seek all reasonable alternative means for performance not prevented by the force majeure event.

26. Termination for insolvency

26.1 The purchaser may at any time terminate the contract by giving written notice to the supplier if the supplier becomes bankrupt or otherwise insolvent. In this event, termination will be without compensation to the supplier, provided that such termination will not prejudice or affect any right of action or remedy which has accrued or will accrue thereafter to the purchaser.

27. Settlement of disputes

27.1 If any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties will make every effort to resolve such a dispute or difference amicably by mutual consultation.

27.2 If, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party.

27.3 Should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law.

27.4 Mediation proceedings will be conducted in accordance with the rules of procedure specified in the SCC.

27.5 Notwithstanding any reference to mediation and/or court proceedings herein,

- (a) the parties will continue to perform their respective obligations under the contract unless they agree otherwise; and
- (b) the purchaser will pay the supplier any monies due the supplier.

28. Limitation of liability

28.1 Except in cases of criminal negligence or wilful misconduct, and in the case of infringement pursuant to Clause 6,

- (a) the supplier will not be liable to the purchaser, whether in contract, tort, or otherwise, for any indirect or consequential loss or damage, loss of use, loss of production, or loss of profits or interest costs, provided that this exclusion will not apply to any obligation of the supplier to pay penalties and/or damages to the purchaser; and
- (b) the aggregate liability of the supplier to the purchaser, whether under the contract, in tort or otherwise, will not exceed the total contract price, provided that this limitation will not apply to the cost of repairing or replacing defective equipment.

29. Governing language

29.1 The contract will be written in English. All correspondence and other documents pertaining to the contract that is exchanged by the parties will also be written in English (section 5 (1-8) of the Rustenburg Local Municipality Language Policy of 2012).

30. Applicable law

30.1 The contract will be interpreted in accordance with South African laws, unless otherwise specified in the SCC.

31. Notices

31.1 Every written acceptance of a bid will be posted to the supplier concerned by registered or certified mail and any other notice to him will be posted by ordinary mail to the address furnished in his bid or to the address notified later by him in writing and such posting will be deemed to be proper service of such notice.

31.2 The time mentioned in the contract documents for performing any act after such aforesaid notice has been given, will be reckoned from the date of posting of such notice.

32. Taxes and duties

32.1 A foreign supplier will be entirely responsible for all taxes, stamp duties, license fees, and other such levies imposed outside the purchaser's country.

32.2 A local supplier will be entirely responsible for all taxes, duties, license fees, etc., incurred until delivery of the contracted goods to the purchaser.

32.3 No contract will be concluded with any bidder whose tax matters are not in order. Prior to the award of a bid the department must be in possession of a tax clearance certificate, submitted by the bidder. This certificate must be an original issued by the South African Revenue Service.

33. National Industrial Participation Programme (NIPP)

34.1 The NIP Programme administered by the Department of Trade and Industry shall be applicable to all contracts that are subject to the NIP obligation.

34. Prohibition of restrictive practices

34.1 In terms of section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, an agreement between, or concerted practice by, firms, or a decision by an association of firms, is prohibited if it is between parties in a horizontal relationship and if a bidder (s) is / are or a contractor(s) was / were involved in collusive bidding (or bid rigging).

34.2 If a bidder(s) or contractor(s), based on reasonable grounds or evidence obtained by the purchaser, has / have engaged in the restrictive practice referred to above, the purchaser may refer the matter to the Competition Commission for investigation and possible imposition of administrative penalties as contemplated in the Competition Act No. 89 of 1998.

34.3 If a bidder(s) or contractor(s), has / have been found guilty by the Competition Commission of the restrictive practice referred to above, the purchaser may, in addition and without prejudice to any other remedy provided for, invalidate the bid(s) for such item(s) offered, and / or terminate the contract in whole or part, and / or restrict the bidder(s) or contractor(s) from conducting business with the public sector for a period not exceeding ten (10) years and / or claim damages from the bidder(s) or contractor(s) concerned.

Annexure C

Registration of contracts

Annexures A to C are typical annexures applicable to all municipal contracts. Information required may vary in detail depending on the nature of the project.

IN THE ANNEXURES	ANNEXURE	TITLE
	D	Register of all municipal contracts
	E	Register of all contracts above R500 000,00 for a period exceeding three months
	F	Report to the Council on contract management

ANNEXURE D

REGISTER OF ALL MUNICIPAL CONTRACTS

[illegible]

ANNEXURE E

REGISTER OF ALL CONTRACTS ABOVE R500 000,00 FOR A PERIOD EXCEEDING THREE MONTHS

[illegible]

ANNEXURE F

REPORT TO THE COUNCIL ON CONTRACT MANAGEMENT

[illegible]

Approved/Not Approved

RECOMMENDED BY:

Financial Officer

Date

Chief

SUPPORTED BY:

Municipal Manager

Date

APPROVED BY:

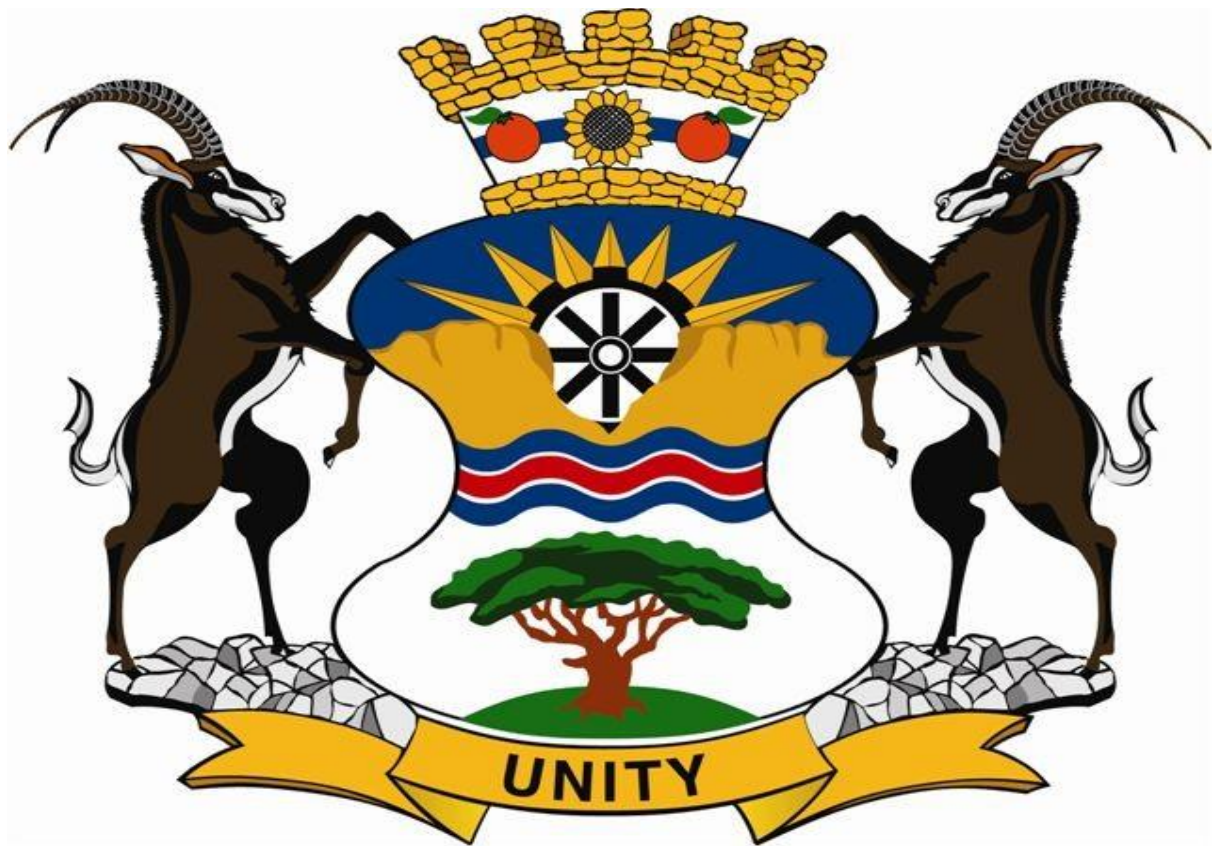
Council

Date

Policy Review

Document Control

Rustenburg Local Municipality



COST CONTAINMENT POLICY

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PREAMBLE

Cost containment is the business practice of maintaining expense levels to prevent unnecessary spending or thoughtfully reducing expenses to improve profitability without long-term damage to the company. Cutting expenses in ways that decrease quality or reduce marketing efforts to bring in new business can lead to a company's demise and are not examples of a cost-containment strategy.

The following measures must be implemented, consistently with immediate effect to ensure the containment of costs: -

1. Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners

Measure

- ❖ Directors must ensure compliance with all the relevant policies and procedures, as it relates to employment contracts, for the aforementioned employment categories.

Controls

- ❖ Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Administration, Monitoring and Evaluation Directorate (AME), ensure compliance.
- ❖ The Administration, Monitoring and Evaluation Directorate must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011)
- ❖ The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies.

2. Travel claims

Measure

- ❖ Ensure effective control over travel claims.

Controls

- ❖ Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.
- ❖ Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.
- ❖ The respective Directors should exercise control over the distances travelled.

3. Essential Vehicle User Scheme

Measure

- ❖ Limit expenditure under the scheme and apply the applicable policies and procedures consistently.

Controls

- ❖ Policy guidelines must be formulated by the Administration, Monitoring and Evaluation Directorate relating to the type of vehicles to be purchased by qualifying employees, requiring vehicles for the execution of their duties.

4. Acting Allowances

Measure

Acting allowances must be paid in accordance with the applicable HR policies, South African Local Government Bargaining Council (SALGBC Collective Agreements) and any applicable legislation.

Controls

- ❖ Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
- ❖ Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
- ❖ Acting **must** only be permitted in funded vacant positions.
- ❖ Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
- ❖ Acting for extended periods **must** be discouraged, unless **motivated** to the Municipal Manager, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

5. Overtime

Measure

- ❖ Overtime must be undertaken in compliance with all relevant policies, SALGBC Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act).

Controls

- ❖ Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.
- ❖ Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).

- ❖ The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Municipal Manager prior** to the actual overtime being worked.
- ❖ The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
- ❖ The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- ❖ The Administration, Monitoring and Evaluation Directorate must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

6. Catering, Refreshments & Entertainment

RLM relates to expenses for catering and events, states the following: -

- i. **Constitutional institutions** may not incur catering expenses for **internal meetings**, i.e. for meetings attended only by **persons in its employ**, unless approved by the accounting officer.
- ii. **Constitutional institutions** may not incur expenses on **alcoholic beverages**, except for instances where alcohol is to be served at functions relating to: -
 - a. State banquets;
 - b. The promotion of South Africa and any of its goods or services;
 or
 - c. The hosting of foreign dignitaries.
- iii. The Accounting officers must ensure that team building exercises and social functions, including year-end functions, **are not financed from the budgets of their respective establishments or by any suppliers or sponsors.**

In implementing the aforementioned instruction, the following control measures are applicable as it relates to catering and entertainment: -

Control Measures

- ❖ Apart from tea, coffee and muffins, **no catering and refreshments** will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
- ❖ At the discretion of the Municipal Manager, catering and refreshments **may** only be provided at meetings with overseas visitors and other spheres of government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.

7. Attendance of Conferences, Seminars & Workshops

Measures and Controls

- ❖ Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.
- ❖ The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the Municipality.
- ❖ Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
- ❖ In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Municipal Manager.

8. Municipal Workshops, Retreats, Strategic Sessions and Internal training

Controls

- ❖ Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.
- ❖ Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
- ❖ The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.
- ❖ Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Municipal Manager approving the use of external venues.

9. Projects /Programme Launches

Controls

- ❖ The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.
- ❖ When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

10. Use of Consultants

RLM relates to expenses for the use of consultants, states the following: -

- i. **Constitutional institutions** may only contract in consultants after a gap analysis has confirmed that the constitutional institution concerned does not have the requisite skills or resources in its fulltime employ to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the accounting officer.
- ii. Consultants may only be remunerated at the rates: -
 - a. Determined in the “Guideline for fees”, issued by the South African Institute of Chartered Accountants (SAICA);
 - b. Set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA), or
 - c. Prescribed by the body regulating the profession of the consultant.
- iii. Hotel accommodation and related costs in respect of consultants may not exceed the amount of R1300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount. Air Travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa (AA SA).
- iv. All contracts of consultants must include penalty clauses for poor performance and in this regard, accounting officers must invoke such clauses where deemed necessary.
- v. Accounting officers must develop consultancy reduction plans by 31 March of each year for implementation in the ensuing financial year. The first consultancy reduction plan required in terms of Treasury instruction 01 of 2013/2014 must be developed before 31 March 2014 for implementation in the 2014/2015 financial year.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants.

Measure

- ❖ The use of consultants **must** be reviewed and curtailed.

Controls

- ❖ All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Director concerned, endorses the procurement process.
- ❖ Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
- ❖ Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.
- ❖ Any SLA or contract signed with consultants, must include
 - (i) penalty clauses for poor performance,
 - (ii) clauses that deal with skills transfer,
 - (iii) period of the contract must be clearly stated, amongst other pertinent clauses.
- ❖ Directorates who deal with Consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.
- ❖ The Municipal Manager **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

11. Telephone Costs (Landlines)

Measure

- ❖ The Council's policy relating to payment for private calls must be fully enforced by all Directorates.

Controls

- ❖ The cost of private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), so that the necessary deductions can be made from the affected municipal employees' salaries.

12. Uniforms and Clothing

Controls

- ❖ A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.
- ❖ A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

13. Travel and Subsistence

RLM relates to travel and subsistence expenses, the following control measures must be implemented: -

Control measures

- ❖ Only economy class tickets to be purchased for employees and Councillors, where the flying time of the flight is five (5) hours or less.
- ❖ The Municipal Manager may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.
- ❖ Purchasing of air tickets for first class travel is not permitted, under any circumstances.
- ❖ Domestic hotel accommodation linked to travel and subsistence may not exceed R1 300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.

- ❖ The amount of R1300 quoted above may be exceeded with approval of the Municipal Manager in instances:
 - (i) such as peak holiday periods, and
 - (ii) (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.
- ❖ Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.
- ❖ Sharing of the mode of transport when Employees / Councillors travel to the same destination.
- ❖ Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).
- ❖ When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).
- ❖ Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

14. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 1) The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R700 000 or 70% of the total annual remuneration package for different grades, whichever is greater.
- 2) The procurement of vehicles must be undertaken using the national government transversal contract mechanism.
- 3) If any other procurement process is used, the cost may not exceed the threshold set out in sub-regulation (1)
- 4) Before deciding on other procurement process as contemplated in sub-regulation (3), the Chief Financial Officer must provide the council with information relating to the following criteria which must be considered:
 - a) Status of the current vehicles
 - b) Affordability

- c) Extent of service delivery backlogs
- d) Terrain for effective usage of vehicle; and
- e) Any other policy of council

14. GENERAL MEASURES TO BE IMPLEMENTED

- ❖ In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.

15. VEHICLE USED FOR POLITICAL OFFICE-BEARERS

- 1) The threshold limits for vehicles purchases relating to official use by political office bearers may not exceed R700 000.00 or 70% of the total annual remuneration package of different grades, whichever is greater.
- 2) The procurement of vehicles must be undertaken

15. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY

The Cost Containment Policy (CCP) will be approved by Council on 2018; and is thus effective as from this date.

16. MONITORING AND EVALUATION

Directors are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.

The required reporting framework will be developed by the Director:

Administration, Monitoring and Evaluation and will be made available to all Directors. The Directors **must** report on the implementation of the CCP, to the Portfolio Committees and the Mayoral Committee on a quarterly basis.

Rustenburg Local Municipality Draft Cost Containment Strategy

1. INTRODUCTION

In the current economic world, it is crucial for the organization to develop a strategy to minimize cost and achieve the desired results of the organization at the end. Improved accountability and transparency can be realized through a more proactive and regular reporting of both cost containment activities and the results generated. The issues for concentration could be; security cost, cost of hiring equipment, catering cost, use of council vehicles, energy management. Consultation with employees and also obtaining input from all affected stakeholders (business, ratepayers, etc) can be beneficial to cost containment plan. Although some of the many cost saving measures have been implemented over years, it will assist to revisit them with the intention to improve. Proper planning also may assist the municipality to contain cost.

2. COST SAVING COMMITTEE

- 2.1 Each business unit must create a cost saving committee or cost saving must be a standing item on the agenda of monthly meeting of each business unit.
- 2.2 Increase accountability and evaluation of all cost saving planning measures must be communicated to all staff members.
- 2.3 Staff should be encouraged to come up with ideas and if the idea is implemented and cost saving is being realized the employee who came up with the idea be formally recognized in the form of an incentive.
- 2.4 A suggestion box must be placed in all major council offices for staff and the public to post their ideas on the box or an e-mail address be created where any staff member or member of the public can send their ideas.
- 2.5 Advertising of best and most successful initiative in municipal website and through corporate communication can be effective communication tool.

3 AREAS FOR COST CONTAINMENT

3.1 Facilities

- 3.1.1 As far as possible encourages the use of council facilities for community meetings and staff meetings. This will mean a reduction in cost of hiring venues for meetings.
- 3.1.2 A study be undertaken to compare cost of hiring marquees versus cost of purchasing marquees in the long run.
- 3.1.3 List of available council facilities for meetings be provided on council website for staff to know and book the facility with the responsible person.

- 3.1.4 Cease all non-essential and non-routine maintenance unless there are health and safety issues concerns.

3.2 Security Cost

- 3.2.1 Fully utilize internal security staff to secure council property and fill all vacant positions for the unit to be effective.
- 3.2.2 Review the need for security personnel in council facilities during the day and at night. In some facilities an alarm system can be at night (at low cost) and a security guard during the day.

3.3 Cost of Hiring Plant and Equipment

- 3.3.1 Council spent lot of money hiring plant/equipment and sound system.
- 3.3.2 Fleet must develop a register of items that are hired to monitor cost and identify those items that are hired on a regular basis. A plan be developed to acquire these items within 5 years.
- 3.3.3 Review cost of hiring compared to cost of purchasing and owning the equipment in the long term.

3.4 Catering Cost

- 3.4.1 Minimize catering for meetings and consider providing light meal where possible with the intention to reduce cost.
- 3.4.2 All catering requests to be submitted to Deputy Municipal Managers for consideration and approval, subject to availability of funds.
- 3.4.3 The Chief Financial Officer submits to the Strategic Management Committee a list for consideration of which meetings should be permitted to have catering services.

3.5 Use of Council Vehicles

- 3.5.1 All employees who enjoy the benefit of taking council vehicle home after work must submit a motivation to Strategic Management Committee for review of the need for such benefit.
- 3.5.2 All new requests for employee to take council vehicle home after work must be submitted to Strategic Management Committee with a detailed motivation for consideration and approval.
- 3.5.3 A vehicle replacement programme must be developed to ensure that ageing fleet that is not cost effective to repair is replaced on time.
- 3.5.4 Employees that cause damage to council vehicle must be investigated and if found negligent disciplinary action must be taken and cost of repair be recovered from the employee.

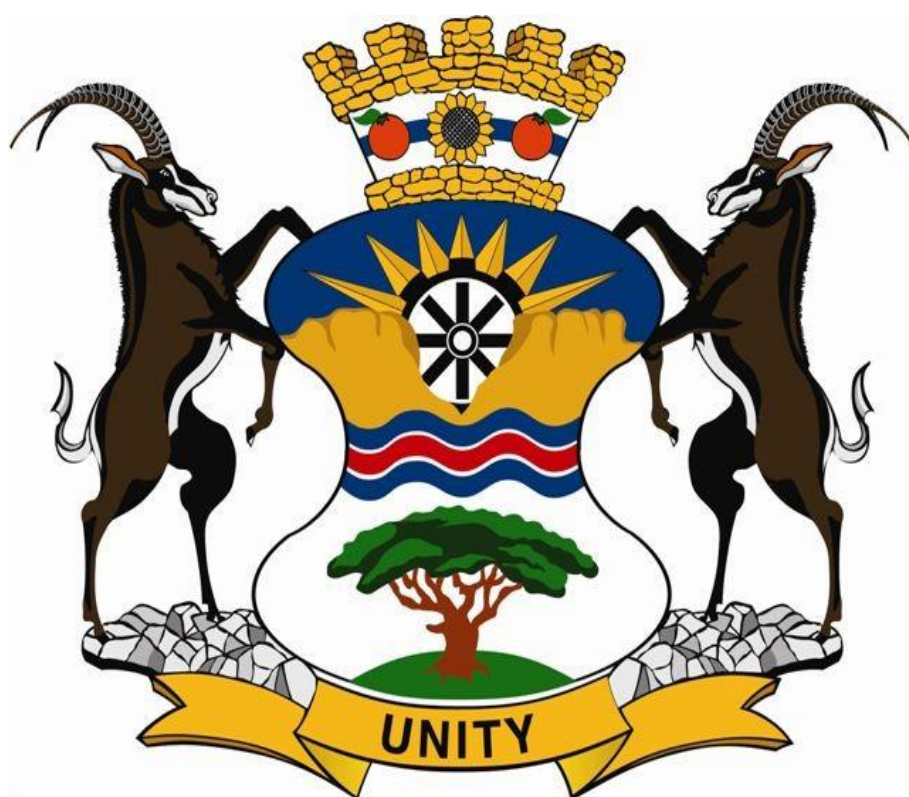
- 3.5.5 Fleet must keep a register of repairs to vehicles and where cost to repair are more than the net book value step to auction the vehicle in terms of council policy must be taken.

3.6 Energy Management

- 3.6.1 Install motion lights or timers in all council buildings.
- 3.6.2 Install individual lights switches in each office instead of central controlled lights.
- 3.6.3 Encourage staff to turn off electric equipment in offices when not in use or after work.

RUSTENBURG

LOCAL MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

PREAMBLE

- (1) **WHEREAS** section 152(1)(b) of the Constitution of the Republic of South Africa, Act 108 of 1996 (hereinafter referred to as “the Constitution”) provides that one of the objects of Local Government is to ensure that the provision of services to communities occurs in a sustainable manner;
- (2) **AND WHEREAS** section 153(a) of the Constitution provides that a Municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;
- (3) **AND WHEREAS** section 195(1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including:
 - The promotion of the efficient, economic and effective use of resources;
 - The provision of services impartially, fairly, equitably and without bias; and
 - The fact that people’s needs must be responded to;
- (4) **AND WHEREAS** section 18(1)(a), read with sub-section (2) of the Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”) provides that an annual budget of the Municipality should be funded from realistically anticipated revenues to be collected taking into account projected revenue for the current year based on collection levels to date and the actual revenue collected in the previous financial years;
- (5) **AND WHEREAS** section 4(1)(c) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereinafter referred to as “the Systems Act”) provides that the Council of a Municipality has the right to finance the affairs of the Municipality by charging fees for services, imposing surcharges on fees, rates on property

and, to the extent authorised by national legislation, other taxes, levies and duties;

- (6) **AND WHEREAS** section 5(1)(g), read with sub-section (2)(b) of the Systems Act provides that members of the local community have the right to have access to municipal services which the Municipality provides provided that, where applicable and subject to the policy for Registered Indigent debtors, they pay promptly for services and pay the fees, surcharges on fees, other taxes, levies and duties imposed by the Municipality;
- (7) **AND WHEREAS** section 6(2)(c), (e) and (f) of the Systems Act, provides that the administration of a Municipality must take measures to prevent corruption, give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive, and inform the local community about how the Municipality is managed and of the costs involved and the persons in charge;
- (8) **AND WHEREAS** in terms of the provisions of section 95 of the Systems Act, the Rustenburg Local Municipality (hereinafter referred to as "the Municipality"), in relation to the levying of rates and other taxes and the charging of fees for municipal services and within its financial and administrative capacity, must:
- (a) establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality, and where applicable a service provider;
 - (b) establish mechanisms for consumers of municipal services and ratepayers to give feedback to the Municipality or other service provider regarding the quality of the municipal services and performance of the service provider;
 - (c) take reasonable steps to ensure that users of municipal services are informed of the costs involved in municipal service provision, the reasons for the payment of municipal service fees and the manner in which monies raised from such municipal service are utilised;

- (d) where the consumption of municipal services has to be measured, take reasonable steps to ensure that the consumption by individual users of municipal services is measured through accurate and verifiable metering systems;
 - (e) ensure that persons liable for payments receive regular and accurate statements that indicate the basis for calculating the amounts due;
 - (f) provide accessible mechanisms for those persons to query or verify statements and accounts and metered consumption;
 - (g) provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the Municipality which includes the declaring of disputes and procedures which allows for the dealing with such disputes;
 - (h) provide mechanisms to monitor the response time and efficiency in complying with sub-paragraph (g) above; and
 - (i) provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for municipal services;
- (9) **AND WHEREAS** and in terms of the provisions of section 96 of the Systems Act, the Municipality must collect all money which is due and payable to it subject to the provisions of the Systems Act and other applicable legislation and for this purpose must adopt, maintain and implement a Credit Control and Debt Collection Policy which complies with the provisions of the Systems Act and is consistent with the Rates and Tariff Policies of the Municipality;

NOW THEREFORE the Municipality has adopted this policy in compliance with the provisions of the above referred to sections and specifically the provisions of section 97 of the Systems Act, to be known as the "Credit Control and Debt Collection Policy" which provides the contents for this policy.

THE RUSTENBURG LOCAL MUNICIPALITY: CREDIT CONTROL AND DEBT COLLECTION POLICY

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CHAPTER 1

INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this policy, except where the context otherwise indicates or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder and words or expressions to which a meaning has been assigned in terms of the provisions of the Systems Act and the Tariff Policy or By-Law or the Rates Policy or By-Law of the Municipality, will have a corresponding meaning assigned thereto in terms of such policies or by-laws. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
		“A”
1.1	“account”	<p>Means the account opened for a customer in the financial system of the Municipality and in respect of which an account number is allocated, and in context also refer and include the entries and activities and/or arrears reflected on the account, containing and reflecting the liability of the consumer for the payment of rates, tariffs, levies, fees and the consumption of municipal services, which includes charges in respect of the following:</p> <ul style="list-style-type: none">(a) electricity consumption;(b) water consumption;(c) refuse removal and disposal;(d) sewerage services and sewer availability fees;(e) interest; and(f) miscellaneous and sundry fees and collection charges.

1.2	“arrears”	Means any amount due, owing and payable in respect of rates, tariffs, levies, fees and for the consumption of municipal services in terms of this policy and includes <i>inter alia</i> : (a) the principal amount; (b) collection charges; (c) interest; (d) default charges; (e) connection and disconnection fees; (f) any other amount owed to the Municipality not referred to above; and which was not paid on or before the payment date.
“B”		
1.3	“billing”	Means proper notification and invoicing of a statement to a customer of amounts levied for rates, tariffs, levies, fees and the consumption of municipal services including all other amounts and charges due in terms of this policy as well as the net accumulated balance of the account.
1.4	“billing cycle”	Means the time period in respect of which a customer is liable to effect payment to the Municipality for rates, tariffs, levies, fees and consumption of municipal services, being a monthly cycle in respect of the tariffs, levies, fees and consumption of municipal services, and either a monthly or an annual cycle in respect of rates, and which cycle ends on the payment date.
“C”		
1.5	“Chief Financial Officer”	Means a person appointed by the Council and designated by the Municipal Manager of the Municipality to manage the financial administration of the Municipality and who remains directly

		accountable to the Municipal Manager as contemplated in terms of the provisions of section 80(2)(a) read with the provisions of section 1 and section 81 of the MFMA.
1.6	“collection charges”	<p>Means all costs incurred by the Municipality during the process of recovering monies due and payable to it, or arrears, including the charges which may be recovered by the Municipality in terms of section 75A of the Systems Act and includes:</p> <ul style="list-style-type: none"> (a) the cost of reminding a customer of monies due and payable or arrears; (b) the cost of the termination, disconnection, restriction and reinstatement of municipal services; (c) the cost of any notice rendered, sent or delivered; (d) all legal cost, including attorney and client cost incurred in the recovery of arrears; and (e) any commission and other expenses relating to the recovery of arrears payable by the Municipality to any person or service provider.
1.7	“consumer”	<p>Means any person or entity consuming or receiving municipal services, irrespective of whether such a person has concluded a service level agreement with the Municipality, and may also include a person who illegally and unlawfully connects to the municipal services infrastructure or who illegally and unlawfully gains access to or usage of the municipal services or who consumes any municipal services unlawfully.</p> <p>This also includes beneficiaries of RDP houses and documented beneficiaries of deceased estates who are still awaiting transfers.</p>

1.8	“Council”	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.9	“credit control”	Includes all the functions relating to the collection of monies owed to the Municipality by consumers. Credit control under this definition starts once an account is in arrears or any consumer connects to any service infrastructure or consumes any municipal service lawfully or unlawfully.
1.10	“credit controller”	Means a person appointed by the Municipality to manage <i>inter alia</i> , the financial and administration credit control and debt collection of the Municipality's debtors.
1.11	“customer”	<p>Means the owner of the premises or in exceptional circumstances a tenant, and includes a person or entity liable to the Municipality for the payment of tariffs, levies, fees and municipal consumption charges in terms of a service agreement concluded with the Municipality, and may include a person who applied to the Municipality to become a Registered Indigent in terms of the Indigent Policy, and who is not the owner of the premises, but who is:</p> <ul style="list-style-type: none"> (a) the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or (b) the party to whom the residential property is awarded in the event of a divorce; or (c) where a deceased estate has not been wound up: <ul style="list-style-type: none"> (i) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or

		<p>(ii) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir; or</p> <p>(iii) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or</p> <p>(iv) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate;</p> <p>and who simultaneously with the application for indigent support in terms of the Indigent Policy, applied for the provision of municipal services in terms of this policy to be granted an account and to conclude a service agreement with the Municipality, and whose application has been approved by the Municipality, and as such has concluded a service agreement with the Municipality.</p>
1.12	"customer management"	Means focusing on the customer's needs in a responsive and proactive manner to encourage payment, thereby limiting the need for credit control.
"D"		
1.13	"day(s)"	Means a normal calendar day which include a Saturday, Sunday and public holidays.
1.14	"debt collection"	Means the functions relating to the collection of arrears and includes the restructuring of such debt, and procedures and mechanisms for the collection of all monies due and payable to the Municipality in terms of this policy, and in respect of rates, tariffs,

		levies, fees and municipal consumption charges for municipal services, in order to ensure financial sustainability and the uninterrupted delivery of municipal services in the interest of the community.
1.15	“debtor”	Means any person, including a customer or consumer, who has failed to make payment of a debt due, owing and payable to the Municipality on or before the payment date.
1.16	“dispute”	Means a dispute as contemplated in terms of the provisions of section 102(2) of the Systems Act.
“E”		
1.17	“equipment”	Includes any building or other structure, pipe, pump, wire, cable, meter, engine, any apparatus, tools, device, connection system or network, service protection device, reticulation network or supply mains or any part of any of the foregoing supplied or used in the supply, distribution or conveyance of municipal services or the measurement of consumption of such services, or any other accessories to any of the aforementioned.
1.18	“exceptional circumstances”	Means such circumstances which in the sole discretion of the Chief Financial Officer constitute an exception.
1.19	“Executive Mayor”	Means the Executive Mayor of the Municipality as elected in terms of section 55 of the Structures Act.
“H”		
1.20	“household”	Means the total number of persons who permanently resides and occupy a single premise for residential purposes.
“I”		
1.21	“indigent support”	Means the financial and other support, discounts, subsidies and assistance which the Municipality renders to Registered Indigents and households

		headed by Registered Indigents in terms of the Indigent Policy of the Municipality.
1.22	"interest"	Means the charge levied on arrears as referred to in the provisions of section 75A(1)(b) of the Systems Act and at the rate as resolved by the Council.
"M"		
1.23	"Mayoral Committee"	Means the Mayoral Committee as envisaged in terms of the provision of section 60 of the Structures Act.
1.24	"MFMA"	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.25	"MPRA"	Means the Local Government: Municipal Property Rates Act, Act 6 of 2004.
1.26	"Municipality"	<p>Means the RUSTENBURG LOCAL MUNICIPALITY (also referred to as "RLM") a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <p>(a) its successor in title; or</p> <p>(b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality's duties, functions and powers; or</p>

		(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.
1.27	“Municipal Manager”	Means the Municipal Manager of the Municipality appointed in terms of the provisions of section 54A of the Systems Act and as referred to in the definition of “Accounting Officer” in section 1 of the MFMA, and also referred to in section 60 of the MFMA, and includes a person acting as an Accounting Officer, or the person to whom the Accounting Officer has delegated his/her authority to act.
1.28	“municipal services” or “services”	Means a service that a Municipality provides or may provide in terms of its powers and functions to or for the benefit of the local community irrespective of whether: (a) such service is provided or to be provided by the Municipality through an internal mechanism contemplated in section 76 of the Systems Act or by engaging an external mechanism contemplated in section 76; or (b) fees, charges or tariffs are levied in respect of such service or not.
“O”		
1.29	“occupier”	Means any person who occupies premises or part thereof, without taking cognisance of the title under which he or she occupies the premises.
1.30	“official application form”	Means the application form provided in Schedule 1 to this policy.
1.31	“owner”	Means: (a) the person in whose name the property is registered; (b) in the case where the person in whose name the property is registered, is insolvent or

		<p>deceased, or is disqualified in terms of any legal position, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuary, servitude holder or any other duly authorised of appointed representative;</p> <p>(c) in the case where the Municipality or service provider is unable to establish the identity of such person, the person who is entitled to derive benefit from the property or any buildings thereon;</p> <p>(d) in the case of a lease agreement entered into for a period of 30 (thirty) years or longer, or for the natural life of the lessee or any other person mentioned in the lease, or is renewable from time to time at the will of the lessee indefinitely or for a period of periods which, together with the first period of the lease, amounts to 30 (thirty) years, the lessee or any other person to whom he has ceded his right, title and interest under the lease, or gratuitous successor to the lessee;</p> <p>(e) in relation to:</p> <p>(i) a piece of land delineated on a sectional title plan and which is registered in terms of the Sectional Title Act, Act 95 of 1986, without limiting it to the developer or body corporate in respect of the common property;</p> <p>(ii) a section as defined in the Sectional Title Act, Act 95 of 1986, the person in whose name that section is registered in terms of a "sectional title deed", including the lawfully appointed representative or agent of such person;</p>
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		<p>(f) any legal entity including but not limited to:</p> <p>(i) a company registered in terms of the Companies Act, Act 61 of 1973, a trust inter vivos, trust mortis causa, a close corporation registered in terms of the Close Corporation Act, Act 69 of 1984 and any voluntary organisation;</p> <p>(ii) any provincial or national government department, or local authority;</p> <p>(iii) any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and</p> <p>(iv) any embassy or other foreign entity in whose name the property is registered;</p> <p>(g) in relation to property owned by the Municipality and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and</p> <p>(h) in relation to property owned by or under the control or management of the Municipality while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.</p>
“P”		
1.32	“payment date”	Means the date by which any amount due, owing and payable should have been paid.
1.33	“person”	Means any natural or juristic person, local government body or like authority or an organ of state as defined in terms of section 239 of the Constitution, a company incorporated under any

		law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association, club or trust.
1.34	“prepayment meter”	Means a meter whereby payment for municipal services is first made elsewhere and credit is transferred to such meters by means of a token or coded number or credit card or other means and such meter is programmed and dispenses pre-purchased municipal services as it is consumed by the consumer at a predetermined rate or charge.
1.35	“prepayment measuring system”	Means a meter and ancillary devices, approved by the Municipality designed to measure and allocate to a consumer the quantity of municipal services pre-purchased by the consumer.
1.36	“premises”	Means any property or any building or structure above or below ground levels on property and may include any vehicle, aircraft or vessel.
1.37	“property”	Means: <ul style="list-style-type: none"> (a) immovable property registered in the name of a person/owner including in the case of a sectional title scheme, a sectional title unit registered in the name of any person/ owner; (b) a right registered against immovable property in the name of a person excluding a mortgage bond registered against the property; (c) any piece of land, the external surface boundaries of which are delineated on: <ul style="list-style-type: none"> (i) a general plan or diagram registered in terms of the Land Survey Act, Act 9 of 1927 or in terms of the Deeds Registries Act, Act 47 of 1937 or; (ii) a sectional plan registered in terms of the Sectional Titles Act, Act 95 of 1986;

		<p>which is situated within the area of the Municipality;</p> <p>(d) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or</p> <p>(e) public service infrastructure.</p>
“R”		
1.38	“rates”	Means a municipal rate on property levied in terms of section 229(1)(a) of the Constitution and section 2(1) the MPRA.
1.39	“Registered Indigent”	Means a person who has applied to the Municipality in terms of the Indigent Policy to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent on the Indigent Register as contemplated in the Indigent Policy of the Municipality.
“S”		
1.40	“service agreement”	Means the written agreement concluded between the Municipality and a customer for the provision of municipal services to premises once the Municipality has approved the customers official application form for the rendering of such services to the customer and which contains the terms and conditions upon which the Municipality will render such services to the customer.
1.41	“service provider”	Means the Municipality as well as any external entity that provides municipal services to the consumer on behalf of the Municipality, pursuant to a service delivery agreement entered into with Municipality in terms of section 80 of the Systems Act, and may also include any authorised agent of the Municipality.

1.42	“statement”	Means the statement furnished to a customer reflecting the status of the account of the customer, or the liability of the consumer where such a consumer has no account, for the payment of rates, tariffs, levies, fees and the consumption of municipal services and which reflects the amount due to the Municipality by such customer/consumer in respect of the rates, tariffs, levies, fees and municipal services consumed and which includes charges in respect of the following: (a) electricity consumption; (b) water consumption; (c) refuse removal and disposal; (d) sewerage services and sewer availability fees; (e) interest; and (f) miscellaneous and sundry fees and collection charges.
1.43	“Structures Act”	Local Government: Municipal Structures Act, Act 117 of 1998.
1.44	“Systems Act”	Local Government: Municipal Systems Act, Act 32 of 2000.
“T”		
1.45	“tamper”	Means any interference with, damage to, alteration of, by-passing of any connection to, or removal of any equipment and includes the consumption of or use of any municipal services not in accordance with this policy.
1.46	“tariff policy”	Means the Tariff Policy of the Municipality as envisaged in terms of the provisions of section 74 of the Systems Act.
1.47	“Tariff Schedule”	Means the Tariff Schedule as referred to in the Tariff Policy and approved by Council.

1.48	“tenant”	Means a person who is entitled to the use and enjoyment of premises for the payment of rent as a result of an agreement concluded with a person who has the right to extent such rights regarding the premises.
1.49	“this policy”	Means the Credit Control and Debt Collection Policy of the Municipality.

2. AIM AND PURPOSE

- (1) This policy constitutes the policy of the Municipality as contemplated in terms of the provisions of section 96(b) of the Systems Act, read with the provisions of section 97 of the same act.
- (2) This policy further provides for and gives effect to those matters set out in the provisions of section 95 of the Systems Act.
- (3) The aim and purpose of this policy is to:
 - (a) ensure that all monies due and payable to the Municipality in respect of rates, tariffs, fees, levies, municipal services, surcharges on such fees, charges, tariffs, levies and interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges in respect thereof, are collected promptly and efficiently;
 - (b) provide for credit control and debt collection procedures and mechanisms;
 - (c) provide relief for Registered Indigent account holders;
 - (d) provide for the setting of realistic targets consistent with generally recognised practices and collection ratios and the estimates of income as set out in the annual budget of the Municipality less the acceptable provision for bad debt as provided in Chapter 6 of this policy;
 - (e) provide for the levying of interest on arrears;

- (f) provide for collection charges on the payment of any arrears;
- (g) provide for the extension of time for the payment of arrears;
- (h) provide for the dealing with disputes declared in terms of the provisions of section 102(2) of the Systems Act;
- (i) provide for matters relating to the unauthorised consumption, theft and/or damages of or to equipment or municipal services;
- (j) to provide for conditions relating to the supply of municipal services and the termination of municipal services or for restrictions on the provisions of municipal services when payments are in arrears;
- (k) to provide for mechanism whereby statements or meter reading services may be queried or verified;
- (l) to provide for mechanisms where irrecoverable debt is written off;
- (m) to provide for penalties for non-compliance with the policy;
- (n) to provide for incentives and disincentives in order to ensure cost effective debt collection; and
- (o) to enable the Municipality to collect all budgeted income in order to fund its operational requirements in respect of service delivery to the community within its municipal area.

3. TITLE AND APPLICATION

- (1) This policy is known as the Credit Control and Debt Collection Policy of the Rustenburg Local Municipality and is applicable to the municipal area of the Municipality.
- (2) This policy revokes and replaces all previous policies, decisions and/or *ad hoc* paragraphs within any other policy, regarding the subject matter of this policy.
- (3) This policy further applies to all monies due and payable to the Municipality for:
 - (a) rates levied in terms of the MPRA;

- (b) fees, charges and tariffs levied in terms of section 75A of the Systems Act;
- (c) the provision of municipal services by the Municipality, respective of whether such municipal service(s) is provided by the Municipality itself or on behalf of the Municipality through a service provider;
- (d) interest which has or will accrue in respect of any arrears;
- (e) collection charges; and/or
- (f) municipal services provided through prepayment meters, as well as any fees, surcharges on fees and/or tariffs in respect thereof.

4. COMMENCEMENT AND VALIDITY

This policy shall come into full force and effect upon the acceptance hereof by the Council of the Municipality by resolution.

5. RESPONSIBLE AUTHORITY

- (1) The responsible authority for the adoption and implementation of this policy is the Municipality and where applicable the Council of the Municipality.
- (2) The Executive Mayor of the Municipality, in collaboration with his/her Mayoral Committee, as the supervisory authority in terms of the provisions of section 99 of the Systems Act, is responsible for and must:
 - (a) oversee and monitor the implementation and enforcement of this policy as well as the Credit Control and Debt Collection By-Law of the Municipality;
 - (b) oversee and monitor the performance of the Municipal Manager in implementing this policy and the Credit Control and Debt Collection By-Law of the Municipality;

- (c) if and when necessary, evaluate or review this policy or the Credit Control and Debt Collection By-Law of the Municipality, in order to improve the efficiency of the credit and debt collection mechanisms, processes and/or procedures; and
 - (d) at such intervals as may be determined by the Council, report to a meeting of the Council on the execution of its supervisory duty.
- (3) The Municipal Manager or any service provider, as the implementing authority in terms of the provisions of section 100 of the Systems Act, is responsible for and must:
 - (a) implement and enforce this policy and the Credit Control and Debt Collection By-Law of the Municipality;
 - (b) establish effective administrative mechanisms, processes and procedures in order to collect monies due and payable to the Municipality in accordance with this policy and the Credit Control and Debt Collection By-Law of the Municipality; and
 - (c) at such intervals as may be determined by the Council report the prescribed particulars to a meeting of the supervisory authority referred to in sub-paragraph (2) above.

6. GENERAL PRINCIPLES FOR CREDIT CONTROL AND DEBT COLLECTION

- (1) The administrative integrity of the Municipality must be maintained in the implementation and enforcement of this policy.
- (2) All customers must complete an official application form, formally requesting the Municipality to provide municipal services to such customers and to a specific premise. The rights and obligations of the customer and the Municipality are set out in the service application form and the service agreement, as well as the terms and conditions upon which the Municipality will provide the municipal services to the customer.

- (3) Upon the approval of an application by the Municipality, the official application form will constitute a service agreement between the customer and the Municipality, which service agreement sets out the terms and conditions upon which the Municipality will provide the municipal services to such customer. The Municipal Manager may from time to time direct that a new service agreement be concluded with existing customers. The credit-worthiness and other information which the Municipality deems necessary in order to approve an application may be obtained and confirmed by the Municipality.
- (4) A copy of the official application form, the terms and conditions upon which the Municipality will provide the municipal services and extracts of this policy and the relevant Credit Control and Debt Collection By-Law of the Municipality, must be handed to every customer upon request at such fees as may be prescribed by Municipality.
- (5) The Municipality will render a statement to the customer and will endeavour to cause it to be accurate and understandable and to be delivered to an address indicated by the customer.
- (6) The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- (7) The customer is entitled to efficient, effective and reasonable responses to enquiries and the resolution of disputes.
- (8) Enforcement of payment, collection of arrears and the termination or restriction of municipal services for non-payment must be prompt and consistent.
- (9) Unauthorised consumption, connection and reconnection of municipal services, the tampering with or theft of meters, municipal service supply equipment and

the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to summary disconnections, penalties, loss of rights and criminal prosecution.

- (10) Incentives and disincentives may be used as part of the debt collection procedures.
- (11) The debt collection process must be cost-effective and efficient.
- (12) The effectiveness of the implementation of this policy by the Municipality will be regularly and efficiently reported on and monitored.
- (13) The official application forms will be used to, *inter alia*, identify the category of customers according to this policy, credit risk and to determine the relevant levels of municipal services and deposits required as well as the premises in respect of which these municipal services should be rendered.
- (14) Targets for performance in both customer service and debt collection will be set and pursued, as well as remedies implemented for non-performance.
- (15) Customers that meet the criteria of the Municipality set out in the Indigent Policy to be recognised as Registered Indigents must be identified and supported, but must take note that their status as Registered Indigents will be listed for credit rating and reporting purposes.

CHAPTER 2

DUTIES AND FUNCTIONS

7. DUTIES AND FUNCTIONS OF THE COUNCIL AND/OR MUNICIPALITY

- (1) To approve a budget in terms of the applicable provisions of the MFMA, consistent with the Integrated Development Plan of the Municipality and having regards to the needs of communities, ratepayers and residents.
- (2) To determine and impose rates, fees, charges and tariffs to finance the budget of the Municipality and to take reasonable steps to collect funds due to the Municipality.
- (3) To facilitate sufficient funds to enable the Municipality to give access to basic municipal services to the poor.
- (4) To provide for provision for bad debts, in line with the payment record of customers as reflected in the financial statements of the Municipality.
- (5) To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager.
- (6) To provide a reporting framework for customer care, credit control and debt collection.
- (7) To consider and approve a by-law to give effect to this policy.
- (8) To revise the budget should the targets of the Municipality for customer care and management, credit control and debt collection not be met.

- (9) To take disciplinary and/or legal action against Councillors, officials and service providers who/which do not execute the policies and by-laws of the Municipality, or act improperly in terms of such policies and by-laws.
- (10) To delegate the required authority to monitor and enforce this policy to the Executive Mayor, Municipal Manager and Chief Financial Officer of the Municipality, as may be required in terms of section 59 of the Systems Act.
- (11) To ensure sufficient capacity within the Directorate: Finance, for the implementation of this policy by the Municipality or to appoint a service provider to execute certain functions in terms of this policy.
- (12) To assist the Municipal Manager in the execution of his/her duties, if and when required.
- (13) To provide funds for the training of staff.
- (14) To monitor the performance of the Executive Mayor and the Mayoral Committee regarding their respective roles in credit control and debt collection, supervising the implementation and enforcement of this policy and the Credit Control and Debt Collection By-Law.

8. DUTIES AND FUNCTIONS OF COUNCILLORS AND EMPLOYEES OF THE MUNICIPALITY

- (1) To hold regular ward meetings to discuss matters relating to debt collection and credit control.
- (2) To adhere to and convey the policies of the Municipality to customers.

- (3) To adhere to the Code of Conduct for Councillors as set out in Schedule 1, and the Code of Conduct for Municipal Staff Members as set out in Schedule 2 to the Municipal Systems Act.
- (4) To give inputs regarding applications to be registered as a Registered Indigent and related matters.
- (5) To treat all customers with dignity and respect at all times.
- (6) To exercise their duties in a honest and transparent manner.
- (7) To ensure the proper functioning of the ward committee system.
- (8) To address any unacceptable level of indebtedness within his/her ward as advised from time to time by the Executive Mayor, and the Councillor concerned:
 - (a) must without delay convene a meeting of the ward committee and report the matter to the committee or meeting for discussion and advice; and
 - (b) make appropriate recommendations to the Executive Mayor.

9. DUTIES AND FUNCTIONS OF EXECUTIVE MAYOR

- (1) To ensure that the budget of the Municipality, cash flow and targets for debt collection are met and enforced in terms of this policy.
- (2) To monitor the performance of the Municipal Manager in the implementation and enforcement of this policy.

- (3) To review and evaluate this policy and the Credit Control and Debt Collection By-Law of the Municipality in order to improve the efficiency of the customer care and management, credit control and debt collection procedures, mechanisms and processes of the Municipality.
- (4) To report to the Council on the above referred to matters at intervals of 3 (three) months.

10. DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

- (1) To implement a sustainable and proficient customer care management system.
- (2) To implement this policy effectively and efficiently and to utilise the delegation system of the Municipality as provided for in terms of the provisions of section 59 of the Systems Act, to do so.
- (3) To implement and maintain an appropriate accounting and credit control system.
- (4) To bill customers by delivering statements.
- (5) To demand payments of statements by not later than the payment date.
- (6) To levy interest and collection fees on arrears.
- (7) To appropriate payments received.
- (8) To collect arrears.

- (9) To provide different payment methods to customers and debtors.
- (10) To determine, execute and enforce customer care and management and credit control and debt collection measures.
- (11) To determine all relevant work procedures for, *inter alia*, public relations, arrangements, the dealing with disputes declared in terms of the provisions of section 102(2) of the Systems Act, the disconnection of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- (12) To instruct the attorneys of the Municipality to proceed with legal processes.
- (13) To set performance targets for staff.
- (14) To determine control and performance procedures.
- (15) To monitor and enforce the performance of contracts with service providers who render services to the Municipality pertaining to credit control and debt collection as envisaged in terms of the provisions of section 116(2) of the MFMA.
- (16) To report to the Executive Mayor as required in terms of the provisions of section 100(c) of the Systems Act.
- (17) To appoint staff to execute and enforce the provisions of this policy and the by-laws executed in terms of this policy.

11. DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

- (1) Members of the community, ratepayers and residents have the duty to comply with the provisions of sections 5(2) of the Systems Act.
- (2) To pay rates, levies, fees, charges and duties levied by the Municipality on or before the payment date in respect of all services consumed.
- (3) To obtain a duplicate statement at the help desk of the Municipality where a statement has not been furnished by the Municipality.
- (4) To notify the Municipality when municipal services are no longer required at a property(ies), and of any address or contact detail changes of the consumer.
- (5) To safeguard and maintain service meters in a readable condition and to notify the Municipality immediately in the event that any meter is no longer accurate or functioning correctly.
- (6) To observe and comply with the mechanisms, processes and policies of the Municipality in exercising their rights.
- (7) To allow municipal officials reasonable access to their premises or property to execute any required functions regarding the municipal services including the reading of meters measuring consumption.
- (8) To comply with the by-laws and other legislation of the Council of the Municipality.
- (9) To refrain from tampering with municipal services, equipment and/or property of the Municipality and not to consume any municipal services unlawfully.

- (10) To comply with the obligations, duties, terms and conditions in terms of which the Municipality provides municipal services.

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CHAPTER 3

PERFORMANCE EVALUATION AND REPORTING

12. TARGETS AND PERFORMANCE OBJECTIVES

The Council, in consultation with the Municipal Manager, must establish a mechanism to set targets for debt collection, customer care and management and administrative performance, evaluate performances and take corrective actions on a regular basis to enhance credit control and debt collection.

13. INCOME AND COLLECTION TARGETS

The Council must set targets for the reduction of unpaid amounts for rates, fees, charges, tariffs and the consumption of municipal services, the increase of payments, the collection of arrears and the effective administration of accounts for these charges and the collection of the amounts due in terms of such statements, on or before the payment date as set out in such statements.

14. CUSTOMER SERVICE TARGETS

The Municipality has identified the following customer-targets and the Municipality sets as its aim the compliance with these targets.

(1)	Response time to a consumer on queries and service complaints:	Provide a reference number and acknowledge receipt within 7 (seven) days.
(2)	Resolution of/or response to queries and service complaints:	14 (fourteen) days from acknowledgement of receipt as referred to above, to resolve and/or respond to queries and service complaints.
(3)	Dealing with a dispute duly declared in terms of section 102(2) of the Systems Act:	As per the various time frames stipulated in this policy.

(4)	Date of delivery of first statement to new customers:	By second billing cycle after date of conclusion of a services agreement.
(5)	Reconnection time for municipal services which have been disconnected or suspended:	Within 24 (twenty four) hours after payment/arrangement acceptable to the Municipality has been made.
(6)	Meter reading cycle:	Meters should be read on a monthly basis.
(7)	Applications to be recognised as Registered Indigents:	Within second billing cycle response for approval or disapproval, as well as provision of subsidy.
(8)	Debt turnover ratio:	45 (forty five) days.
(9)	Issuance of clearance amounts payable:	10 (ten) working days.
(10)	Issuance of clearance certificate following payment of clearance amount:	7 (seven) working days from actual payment at cashiers and EFT into Municipality bank account from the same bank as Municipality or 10 (ten) working days following EFT from a bank that is not the bank where the Municipality keep its primary bank account.

15. ADMINISTRATIVE PERFORMANCE

The Council of the Municipality must set targets for the collection of debt and the application of debt collection mechanisms, based on the following principles:

- (1) Debt collection must be prompt, efficient and cost effective, based on the following principles:
 - (a) the cost of the collection should not exceed the capital debt amount and recoverable charges and interest;
 - (b) the cost of the collection must be recovered from the defaulting customer; and

- (c) reasonable steps must be taken to limit the cost of debt collection to the Municipality provided that the limitation on costs for debt collection does not hamper the prompt and efficient collection of the debt.
- (2) Queries and disputes must be promptly addressed and disposed of.
- (3) The debt collection mechanisms, as provided for in this policy must be applied without favour, consistently and equally against all debtors.

16. REPORTING

- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor, as supervisory authority in terms of the provisions of section 99 of the Systems Act, read with the provisions of section 100(c).
- (2) The report contemplated in sub-paragraph (1) above must contain particulars on:
 - (a) debt collection and cash collection statistics, showing detailed debt collection information, high level debt recovery information (numbers of customers, number of enquires and disputes, arrangements for the payment of debt, the arrears showing the different stages of maturity of debt). Where possible, the statistics should be divided into the following categories: wards, business (commerce and industry), domestic, state, institutional and other such divisions as required by from time to time by the Municipal Manager; and
 - (b) performance on all areas against targets agreed to in this policy.
- (3) If in the opinion of the Chief Financial Officer, the Municipality will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by the Council, the Chief Financial Officer will report this (with

motivation), to the Municipal Manager who will, if he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

- (4) The Executive Mayor, as supervisory authority, shall, at intervals of 3 (three) months, report to the Council in terms of the provisions of section 99(c) of the Systems Act.

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CHAPTER 4

CUSTOMER CARE AND MANAGEMENT

17. CUSTOMER CARE AND MANAGEMENT PRINCIPLES

The Municipality must manage its interaction with its customers in a responsible and pro-active manner with the aim of enhancing the payments for rates, fees, charges, tariffs and the consumption of municipal services, the reduction of arrears and to create a positive and co-operative relationship between the customer or consumer and the Municipality, and where applicable, a service provider.

18. COMMUNICATION

- (1) The Municipality must publish the annual budget of the Municipality in terms of the provisions of section 22 of the MFMA and regulation 18 of the Municipal Budget and Reporting Regulations which will include the rates, fees, charges and tariffs the Municipality intends to adopt and has in fact adopted.
- (2) This policy must be available in English and be made available by general publication and on specific request, and must also be available for perusal at the offices of the Municipality. This policy is also a "budget related policy" as contemplated in terms of the provisions of section 17(3)(e), section 21(1)(a) and 21(1)(b) of the MFMA and regulation 7 of the Municipal Budget and Reporting Regulations.
- (3) Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues must be given prominence.
- (4) On approval of this policy, a comprehensive communication plan will be devised and implemented in order to inform customers of the provisions of this policy in

respect of incentives, payment terms and arrangements in conjunction with the ward committees.

19. PROVISION OF MUNICIPAL SERVICES TO CUSTOMERS, MUNICIPAL SERVICE AGREEMENT AND CUSTOMER REGISTRATION

- (1) Within the limits of its resources, municipal services will be provided by the Municipality to consumers, who are the owners of the premises to which the municipal services are provided or relate or in exceptional circumstances a tenant, and who have applied by way of the official application form for such services to be provided to the said premises indicated on the application form (as per Schedule 1 to this policy) and whose application was, in the discretion of the Municipality, approved by the Municipality. The approval of the application by the Municipality will constitute a service agreement between the Municipality and the consumer, and constitute the opening of the account for the consumer. Once a consumer's application is approved, the consumer becomes a customer. The service agreement so concluded between the Municipality and the customer, together with the provisions of this policy and the applicable By-Laws of the Municipality shall in all respects govern the supply of the municipal services to the customer and the supply of the municipal services to the customer will at all times be subject to and provided in accordance with and upon the condition stipulated in the said agreement, policy and by-laws.
- (2) The Municipality accepts that it has limited resources which in turn limit the nature and extent of municipal services that can be provided. The Municipality, having due regard to the Legislative Framework within which it operates, must endeavour to increase payments, reduce arrears and to extend the services it can provide. That said, the Municipality can only provide services within its ability and available resources.
- (3) Notwithstanding the limitations as per clause 19(2), and in regards to clause 6 (4) of this policy, the Municipality shall endeavour to ensure that the accurate

capture and verification of Customer information that is captured on its systems and applications, which will assist the Municipality in achieving the following

- (a) Customer will receive a statement at a valid address, as indicated by the customer and validated by the Municipality
- (b) The successful serving of Notices and other correspondence will increase, thus improving the success of Credit Control
- (c) Improve the Contactability rate of Customers that are in the Debt Collection process

- (4) The Municipality is in the process of phasing out the practice of opening accounts and concluding service agreements with accounts opened and service agreements concluded in the past for persons that do not fall within the definition of "customer", as set out in this policy. Such accounts will be closed and phased out upon the termination of the service agreement to which the account relates. However, these accounts are still valid and persons with whom the Municipality concluded service agreements, and for whom the accounts were opened in the past, will have the rights extended in this policy to a customer, and such persons will for all intents and purposes be considered as "customers" in terms of this policy.

- (5) No new accounts will be opened and no service agreements concluded by the Municipality with persons who do not qualify as a "customer", as defined in this policy. The Municipality however reserves the right to make an exception to this provision in this policy should a person who does not qualify as a "customer" in terms of this policy, satisfies the Municipality that there are exceptional circumstances requiring the status of "customer" to be extended to that person. A further exception to the afore referred to provision pertains to persons who apply to the Municipality to become a Registered Indigent, in terms of the Indigent Policy of the Municipality, for which applications the following conditions apply:

- (a) the applicant for the indigent support must be:
 - (i) the holder of an account with the Municipality for the provision of municipal services to the premises referred to in sub-

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paragraph (a) above, who has concluded a service agreement with the Municipality, as referred to above; or

- (ii) in an instance where the applicant for the indigent support is not the holder of an account and has not concluded a service agreement with the Municipality, as required by sub-paragraph (i) above: the applicant must:

- (aa) be the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or
- (bb) be the party to whom the residential property is awarded in the event of a divorce; or
- (cc) be, where a deceased estate has not been wound up:
 - (aaa) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or
 - (bbb) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir; or
 - (ccc) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or
 - (ddd) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate;

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- (dd) submit, simultaneously with the application for indigent support in terms of the Indigent Policy, an application for the provision of municipal services as referred to above, applying to the Municipality to be granted an account and to conclude a service agreement with the Municipality; and
 - (b) the total household income of all the household occupants in the indigent household (a household headed by a Registered Indigent, as defined and referred to in the Indigent Policy of the Municipality) above the age of 18 (eighteen) years on the residential property, may not exceed the amount as determined by Council from time to time. Currently the income amount is deemed to be less or equal to the amount received by two sate pensioners as determined annually by the Minister of Finance; and
 - (c) the premises to which the municipal services are rendered (or to be rendered) or relate must be a "residential property", as classified in terms of the categories of properties in terms of the provisions of the Rates Policy and By-Law of the Municipality, and must be utilised solely for residential purposes, as well as situated within the municipal area of the Municipality; and
 - (d) the applicant may not be the registered owner of more than one immovable property nationally and internationally; and
 - (e) be a full-time occupant of the residential property or where the registered owner is unable to occupy the property due to no fault of such registered owner, the spouse or minor children may satisfy the occupancy requirement; and
 - (f) where applicable, must have a prepayment electricity meter, a water management device or a prepayment water meter installed.
- (6) Any person who consumes or utilises any municipal services without entering into a service agreement with the Municipality and or who does not have an account for such services, shall be liable for the rates, fees, charges and tariffs relating to such municipal services, as provided for in this policy and the relevant

By-Laws of the Municipality to the Municipality as if such a person had an account and concluded a service agreement with the Municipality and as such will be considered as a customer.

- (7) Where any premises and/or consumer is provided with municipal services or municipal services are consumed or utilised at the premises and/or by the consumer, it shall be deemed that a service agreement has been concluded between the Municipality and the consumer and/or owner of the premises on the terms prevailing at the time and the owner of the premises will be billed and be liable for payment of the fees, charges and tariffs relating to such municipal services.
- (8) The municipal services will only be provided by the Municipality to a customer under and upon the following conditions:
- (a) Where the services are services that a municipality can provide and to the extent that the ability and resources of the Municipality allow the provision of such services.
 - (b) On approval by the Municipality of the written application for the municipal services which has been made on the prescribed form attached hereto as Schedule 1.
 - (c) The information and documentation required by the Municipality being furnished to the Municipality to its satisfaction.
 - (d) The amount of the deposit as prescribed in terms of this policy being paid to the Municipality, and deposited as security, or any other acceptable security, in the sole discretion of the Municipality, having been furnished to the Municipality.
 - (e) The applicant is an owner as defined in this policy or a holder of an account as contemplated in this policy.
 - (f) If the customer is an existing customer of the Municipality and any amount in respect of any rates, tariffs, fees, levies, municipal services, surcharges on such rates, fees, charges, tariffs, levies and interest which has accrued on any amounts due and payable in respect of the

afore going and any collection charges in respect thereof, is in arrears, then:

- (i) such arrears must be paid; or
 - (ii) an agreement for payment of the arrears in terms of this policy must have been entered into and payment in terms thereof must not be in arrears.
- (g) The Municipality has verified through its billing system that the customer does not have an outstanding account in respect of any rates or municipal services relating to any other premises or accounts.
- (9) The application form with which a customer applies to be provided with municipal services must at least contain the following information:
- (a) confirmation by the customer that the customer is aware of and understands the contents of the form;
 - (b) acceptance by the customer of the provisions of the by-laws relating to the provision of the municipal services and acceptance of liability for the cost of the said services rendered until the service agreement is terminated or until such time as any arrears have been paid;
 - (c) name and full details of the customer;
 - (d) Any Unique Identifier such as but not limited to Identity Number or Passport Number with Date of Birth and Biometric Data
 - (e) address and stand/ erf number of premises to or on which the municipal services are to be rendered;
 - (f) address where the statement must be sent;
 - (g) extent and source of income of the customer;
 - (h) name and address of the applicant's employer, where appropriate;
 - (i) the purpose for which the municipal services will be supplied;
 - (j) the date on which the customer requires provision of the municipal services;
 - (k) an undertaking by the customer:

- (i) that the customer is liable for the costs of debt collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees; and
 - (ii) that any alleged non-receipt of a statement does not exempt the customer from the duty to enquire from the Municipality as to the outstanding debt on the statement and to make payment to the Municipality of the debt;
- (l) the type of municipal services to be supplied to the customer.
- (10) The municipality must take reasonable steps to validate and or verify the information as per 98(c-h) provided by the customer in the application form
- (10) When a customer makes application to the Municipality for the provision of municipal services, the Municipality must inform the customer of the different levels of services available and the tariffs and/or charges associated with each level of service and, where applicable, different metering options.
- (11) The Municipality must ensure that the registration of new and existing customers is efficiently performed in regard to the following:
 - (a) new customer registrations must be correctly administered with the fully completed application form being duly signed by the customer and upon approval by the Municipality, duly countersigned by the Municipality;
 - (b) these service agreements must be retained and be readily accessible to authorised persons and employees of the Municipality only;
 - (c) the employees of the Municipality with customer contact must endeavour to update personal records of customers whenever customers liaise with the Municipality.
- (12) A customer may at any time apply to the Municipality, in writing, to alter the level of municipal services elected in terms of the service agreement entered into,

provided that such services are available and that any costs and expenditure associated with altering the level of services will be payable by the customer.

- (13) A customer shall be liable for the payment of prescribed tariffs, fees, levies, municipal services consumed and surcharges on such, fees, charges, tariffs, levies and interest which has accrued on arrears and any debt collection charges in respect thereof.
- (14) If the Municipality declines an application for the provision of municipal services or is unable to render such municipal services on the date requested for the provision of such municipal services to commence, or is unable to render the municipal services, the Municipality will inform the customer of such refusal and/or inability, the reasons therefore and, if applicable, when the Municipality will be able to provide such municipal services.
- (15) The Municipality may, if circumstances require, enter into a special service agreement for the provision of municipal services without requiring the customer to which such municipal services are to be rendered to submit an application form and upon different terms and conditions than those stipulated in the service agreement annexed hereto as Schedule 1, provided that such a special service agreement does not amount to unfair discrimination against customers of whom it is required to apply for the provision of municipal services as set out in Schedule 1, especially if the rendering of the municipal services warrants or requires the imposition of conditions not contained in the prescribed form.
- (16) An application for the provision of municipal services for a period of less than one year shall be regarded as an application for a temporary supply of such services and shall be considered at the discretion of the Municipality, which may specify any special conditions to be satisfied in such case.
- (17) When the application for the provision of municipal services relates to the supply of electricity, the application must be processed and if approved the municipal

service of electricity must be available within the periods stipulated in NRS 047-1:2005, Edition 3, Electricity Supply Quality of Service.

- (18) The Municipality may, if it deems necessary, require a third party to be bound jointly and severally as surety and co-principal debtor with the consumer for the payment of any prescribed levies, fees, charges and tariffs under these By-Laws.
- (19) Municipal services shall be paid for by the consumer at the prescribed tariff or charge set out in the Tariff Policy of the Municipality and the accompanying Tariff Schedule thereto.
- (20) If a customer uses a municipal service for a category or usage type other than that for which it is provided by the Municipality in terms of the service agreement with the customer, and as a consequence, is charged at a rate lower than the rate which should have been charged, the Municipality may make an adjustment of the amount charged in accordance with the rate which should have been charged and recover from the customer according to the tariffs and charges payable in accordance with such adjustment and may also review the amount of the deposit held in terms of this policy.
- (21) If amendments to the prescribed tariff or charges formulated in terms of the Tariff Policy for municipal services provided, become operative on a date between measurements for the purpose of rendering a statement:
- (a) it shall be deemed that the same quantity of municipal services was provided for in each period of twenty four hours during the interval between measurements;
 - (b) any prescribed tariff or charge shall be calculated on a pro rata basis in accordance with the tariff or charge that applied immediately before such amendment; and

- (c) any fixed charge shall be calculated on a pro rata basis in accordance with the charge that applied immediately before such amendment and such amended change.
- (22) Where municipal services used by a consumer are charged at different tariff rates, the consumption shall be metered separately for each rate.

20. DEPOSIT

- (1) At the time when the consumer makes written application to the Municipality applying for the provision of municipal services by the Municipality to a property, as set out and regulated in terms of this policy, the consumer shall upon the approval of the application become a customer and shall first pay to the Municipality the deposit as set out in this policy, read with the Tariff Schedule, before such municipal services will be provided by the Municipality.
- (2) Subject to the contents of sub-paragraph (6) below, the amount of the deposit in respect of a municipal account of a customer is calculated as set out below, and if the amount cannot be calculated the amount as set out in the Tariff Schedule, which may vary according to different categories of consumers, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination, and shall be determined by the Municipality in accordance with the Tariff Policy, this policy, any applicable by-laws of the Municipality and/or resolutions of the Council.

(3) The paying of a deposit is also required in the instance where the municipal services of water and electricity are provided by means of a prepayment meter system as provided in this policy.

(4) The deposit shall be used as security for payment of any service charges which are due or may become due to the Municipality arising out of the provision of municipal services, or the payment of any amount the customer may be liable for to the Municipality, or for any damage to equipment of the Municipality.

(5) The amount of the deposit payable by a customer shall be determined by the Municipality and will be set out in the provisions of the Tariff Policy and Tariff Schedule of the Municipality. ~~The deposit shall be made in cash payment and bank transfers. Exceptions can be made by the Chief Financial Officer only for large power users(as defined in sub paragraph 6 below) whose deposit is R1 000 000 or more, to accept 50% bank guarantee and 50% cash.~~

(6) In the case of Large Power Users (LPU) equal or greater than 500KVA, deposit for all existing customers will be managed on an ongoing basis in terms of the following principles:

(a) When a customer gets into arrears with the payment of his electricity accounts and the Municipality holds zero deposit, there will be an immediate review of his Consumer agreement and the required deposit will be raised on his account.

(b) When a customer gets into arrears with his account and the Municipality holds inadequate deposit, the deposit will only be reviewed once the threshold of the credit risk matrix is breached.

(c) Where an existing customer with a good payment recorded applies for a substantial increase in his supply capacity or an additional point of delivery, additional deposit must be called for.

~~Customer.~~ (d) Customer has acceptable payment recorded and pays by Direct Debit or EFT; ~~Customer.~~ Customer has ~~14 (fourteen)~~ ~~7 (seven)~~ days, from bill date, in which to pay monthly account. A ~~14 (fourteen)~~ ~~7 (seven)~~ days' notice, from final payment date, is given in cases of default before termination of supply.

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- (7) The Municipality may implement the paying of deposits by either a minimum deposit payable in the amount equal to twice the amount of the average monthly consumption pertaining to the property as calculated by the duly authorised municipal official, calculated for a period of 2 (two) months immediately preceding the payment of the deposit (if available), or in instances where it is not possible to calculate the amount of the deposit set out in the premise, prescribe a deposit amount for different categories of consumers, debtors, service providers, services, service standards and geographical areas, as determined annually by the Municipality, and set out in the Tariff Schedule of the Municipality.
- (8) The Municipality may increase a deposit payable in respect of an arrear account as may be determined annually by the Council in terms of the Tariff Schedule of the Municipality.
- (9) The deposit shall, after the disconnection of a customer service in terms of this policy by the Municipality, be automatically increased to an amount as determined annually by the Council in terms of its Tariff Schedule for disconnected accounts. The deposit shall be adjusted upwards in terms of this paragraph notwithstanding that the customer is also liable for a service reconnection fee. The Municipality may in case of disconnection of an unpaid arrear account, allocate the deposit to the arrear account and the new increased deposit must be paid before the municipal service is reconnected.
- (10) The Municipality may also increase a deposit payable in respect of municipal services if the consumer uses the municipal service for a different usage type as for which the municipal services were provided for by the Municipality and as applied for.
- (11) The Municipality may from time to time review the amount of the deposit in respect of any account and may increase or decrease the deposit, if such an adjustment is justifiable.

- (12) The Municipality will not pay any interest to a customer on the deposit made by a customer and held by the Municipality.
- (13) Upon the termination of the service agreement between the Municipality and a customer the deposit paid by a customer will be offset against any and all arrears or other outstanding amounts or balances owed to the Municipality. The balance of such a deposit will be refunded to the customer in terms of this policy.
- (14) The different deposits provided for in terms of this paragraph will be reviewed annually both in terms of this policy and in terms of the Tariff Schedule. The Municipality shall maintain a register of deposits for this purpose. The total sum of deposits received shall constitute a short term liability in the books of account of the Municipality.
- (15) The Municipality may require a customer to whom municipal services are provided, and who was not previously been required to pay a deposit, for whatever reason, to pay a deposit on request, within a specified period.
- (16) A deposit shall be forfeited to the Municipality if it has not been claimed within 3 (three) years of the termination of the service agreement.
- (17) The payment of a deposit shall not be regarded as being a payment or part payment of any accounts due for the supply of municipal services for the purposes of obtaining any discount provided for in the Tariff Policy.
- (18) ~~For the purposes of the implementation of the Indigent Policy of the Municipality and the rendering of indigent support to Registered Indigents, accounts will be opened for Registered Indigents without requiring the payment of any deposit. This arrangement will immediately terminate if the status of the Registered Indigent changes.~~

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- (198) Notwithstanding the provisions of this paragraph regarding the calculation of the amount of the deposit, the Municipality may in its sole discretion elect to increase the amount of the deposit if the consumer applying for an account, or the customer with an existing account is, or becomes a credit risk to the Municipality.

21. METERING

- (1) The Municipality shall at the customer's cost, in the form of a direct charge or prescribed fee, or if and when the Municipality so decides at the Municipality's cost, provide, install and maintain appropriately rated metering equipment, installed at the point of delivery/metering, for measuring the municipal services delivered to a premises. The metering device shall be provided and installed by the Municipality and shall at all times remain the property of the Municipality irrespective of the manner in which it is attached or installed in or on the premises.
- (2) The Municipality will endeavour, within its financial capabilities, to ensure accurate meter reading and/or measuring of consumption at fixed monthly intervals with the minimum delay between the connection of the municipal services and the first and subsequent billing, except in the case of prepayment meter system. The consumption in respect of the municipal services shall be determined by the reading of the appropriate meter or meters, and read at the determined monthly intervals except in instances where consumption shall be estimated in terms of this policy.
- (3) Nothing contained in this policy shall be construed as imposing on the Municipality an obligation to cause any meter or measuring device installed by the Municipality on any premises to be measured or read at the end of a month or any other fixed period, and the Municipality may estimate the quantity of municipal services supplied over any period during the interval between

successive measurements of the meter and render a statement to a consumer for the quantity of service so estimated.

- (4) For the purposes of determining the consumption of the municipal services by a consumer, having regard to the metering system, it will be deemed unless the contrary is proved, that:
- (a) the consumption is represented by the difference between the measurements taken at the beginning and at the end of a given period;
 - (b) the measuring device or meter was accurate during such period;
 - (c) the readings and/or entries in the records of the Municipality were correctly made;
 - (d) provided that if municipal services are supplied or taken by a consumer without it passing through the meter, the estimate of the Municipality of the consumption of the service consumed, shall be deemed to be correct; and
 - (e) regarding electricity meters, a meter shall be conclusively presumed to be registering accurately if it satisfies the requirements prescribed in NRS 057 Part 3 – Electricity Metering: Minimum Requirements.
- (5) In the following instances the Municipality will be allowed to utilise estimate consumption for billing purposes:
- (a) if the Municipality is, for whatsoever reason and irrespective of whether it is due to the fault of the consumer, or the Municipality, not able to read any meter;
 - (b) if the meter is defective or becomes inaccurate or defective, and an adjustment is required to be made;
 - (c) where a consumer vacates premises and a final reading is not possible;
 - (d) where municipal services supplied by the Municipality to any premises is in any way taken by the consumer without such service passing through any measuring device, for the period from the last previous reading of the meter until the date it is discovered that the municipal

services are being used by the consumer without such services passing through the said meter;

- (e) in the event of any unauthorised activity taking place pertaining to a measuring device or meter or municipal services as referred to in the provisions of this policy dealing with unauthorised activities, theft, fraud and tampering; and
- (f) before a meter or measuring device is installed.

(6) An estimate, as referred to above, shall be based on any one of the following criteria, as the Municipality may decide, taking into account, where applicable and making allowance for seasonable or other variations which may affect the consumption of the municipal service:

- (a) the average ~~daily or~~ monthly consumption (depending on the requirement of the estimate) of the municipal service to the premises during any 3 (three) ~~days or~~ months where meter readings and/or measurements were obtained, during an 18 (eighteen) month period prior to the date on which the estimate is required;
- (b) the average ~~daily or~~ monthly consumption (depending on the requirement of the estimate) of the municipal service to the premises during any 3 (three) ~~days or~~ months where meter readings and/or measurements were obtained, during an 18 (eighteen) month period after the date on which the estimate is required;

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~~(c) the average daily or monthly consumption (depending on the requirement of the estimate) of municipal services to premises or several premises, which are comparable in size, nature and use to the premises for which the estimate is required, during any 3 (three) days or months where meter readings and/or measurements were obtained, during an 18 (eighteen) month period prior to the date on which the estimate is required;~~

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~~(d) the average daily or monthly consumption (depending on the requirement of the estimate) of the municipal service to premises or several premises, which are comparable in size, nature and use to the premises for which the estimate is required during any 3 (three) days or months where meter readings and/or~~

~~measurements were obtained, during an 18 (eighteen) month period after the date on which the estimate is required;~~

~~(e) in instances where a meter was found to be defective or incorrectly measuring, or tampered with to give an inaccurate reading of the quantity of municipal services, the percentage error or inaccuracy of the meter as determined;~~

~~(f) in instances where no meter or measuring device has been installed, the estimated consumption shall be based on the average consumption of the municipal service to the immediate area in which the premises are situated;~~

~~(g) any such consumption or other data in the possession of the Municipality which can assist the Municipality in arriving and making an estimate.~~

- (7) In instances where a consumer is charged and/or liable toward the Municipality for the payment of municipal consumption charges based on estimated consumption as contemplated in this policy, the statement reflecting the estimated consumption will be adjusted to reflect actual consumption once the Municipality is able to obtain the actual reading of the meter concerned.
- (8) Where the consumer requires a special reading, the Municipality must on receipt of a written notice from a consumer, of not less than 14 (fourteen) days notice and subject to the payment of the prescribed charge, measure the quantity of municipal service supplied to a consumer at a time or on a day other than that upon which it would normally be measured.
- (9) A consumer is entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof. This request must be made as a query in terms of the procedure prescribed in this policy.
- (10) The Municipality will inform a customer when a meter replacement is to be made.

- (11) The consumer shall at all times during the business hours between 8am and 5pm ensure that the Municipality has free and undisturbed access to metering equipment and the consumer shall accept any cost occasioned to permit such access including the cost of relocating any meter, if necessary.
- (12) The following provisions will apply to the testing of meters:
- (a) a meter shall be conclusively presumed to be registering accurately when it is tested and found to be within the limits of error as provided for in the applicable standard specifications for such a meter;
 - (b) the Municipality shall have the right to test its metering equipment. If it is established by test or otherwise that such metering equipment is defective or inaccurate, the Municipality shall:
 - (i) in the case of a conventional meter, adjust the statement rendered;
 - (ii) in the case of prepayment meters:
 - (aa) render a statement where the meter has been under-registering; or
 - (bb) issue a free token where the meter has been over-registering;
 - (c) the customer shall be entitled to have the metering equipment tested by the Municipality on payment of the prescribed fee and by way of lodging a query as provided for in this policy with the Municipality querying the accuracy of the measuring device or meter. If the metering equipment is found not to comply with the meter accuracy requirements, applicable to the relevant meter, an adjustment to the customer's account shall be made and the aforesaid fee shall be refunded;
 - (d) when a customer requires the accuracy of a measuring device or meter to be tested or verified the Municipality shall inform the customer of the prescribed range of accuracy applicable for the measuring device or meter as well as the cost implications, or estimated cost implications, occasioned by the testing or the measuring device or meter;

- (e) a consumer is entitled, on giving the Municipality reasonable notice of the consumer's intention, to be present at the testing of any meter in which the consumer is interested;
- (f) a customer shall have the right, at his own cost, to have the metering equipment tested by an accredited independent testing authority approved by the Municipality [and the result of such test shall be final and binding on both parties];
- (g) meters shall be tested in the manner as provided for in the applicable standard specifications for the specific meter, or where the meter is a water meter, the meter must conform to the specifications as prescribed in terms of the Water Services Act, Act 108 of 1997 **and where the measuring device or meter is:**
 - ~~(i) a meter to which regulations relating to water meters published under the Trade Metrology Act, Act 77 of 1973 are applicable, it will be deemed to be defective if, when tested in accordance with SABS Code 1529 Part 1, it is found to have a percentage error in over-registration or under-registration greater than that permitted for a meter in use in terms of that specification;~~
 - ~~(ii) a meter of a size greater than 100mm diameter but not exceeding 800mm diameter to which the specification referred to sub-paragraph (12)(g)(i) is not applicable, it will be deemed to be defective, when tested in accordance with SABS Code 1529 Part 4-1998 if it is found to have a percentage error in over-registration or under-registration greater than permitted by a meter in terms of that specification;~~
 - ~~(iii) a prepayment water measuring system, it shall be deemed to be defective if, when tested in accordance with SABS Code 1529 Part 9—2002, it is found to have a percentage error in over-registration or under-registration greater than that permitted in terms of that specification;~~
- (h) the Municipality's finding as to the accuracy of a meter, after testing has been carried out, shall be final;

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- (i) the Municipality shall before removing a meter for testing take a reading of the meter and the current meter reading period shall be terminated at the time of the taking of such a reading;
 - (j) if after testing a meter the Municipality is satisfied that the meter is not registering correctly, it shall render the consumer an adjusted statement as referred to above;
 - (k) if the outcome of any test shows that a measuring device or meter is:
 - (i) within a prescribed range of accuracy, the consumer will be liable for the costs of such test and any other amounts outstanding. Such costs may be debited against the customer's account to which the measuring device or meter relates;
 - (ii) outside a prescribed range of accuracy, the Municipality will be liable for the costs of such test and the consumer must be informed of the amount of any credit to which the consumer is entitled;
 - (l) if the measuring device or meter is found to be defective, the Municipality must:
 - (i) repair the measuring device or meter or install another device which is in good working order, without charge to the customer, unless the costs thereof are recoverable from the customer due to the measuring device or meter being tampered with; and
 - (ii) determine the quantity of municipal service for which the customer will be charged in lieu of the quantity measured by the defective measuring device or meter by making an estimate as provided for in this policy;
 - (m) any meter removed for testing by the Municipality must be retained intact and be available for inspection for a period of 3 (three) months after testing.
- (13) The Municipality will allow readings of meters taken by consumers and submitted either telephonically, by fax or personally under the following conditions:

- (a) provided the Municipality may obtain readings at any point in time to verify readings taken by the consumer, and in particular that the Municipality obtains any final reading should the consumer furnish the Municipality with a termination notice or move to another supply address;
 - (b) an audit reading during the normal reading cycles shall be obtained by the Municipality once every 6 (six) months;
 - (c) the Chief Financial Officer may, however cancel the voluntary reading convenience on any customer's account if the consumer fails to ensure that the audit reading referred to in above is obtained or should the consumer fail to render readings on 2 (two) consecutive occasions.
- (14) The Municipality reserves the right to meter the supply of municipal services to shops and flats, tenement houses, sectional titles and similar buildings for the buildings as a whole or for individual units or for groups of units.
- (15) The Municipality may require the installation at the customer's expense of a measuring device or meter to each dwelling unit, in separate occupancy, on any premises, for use in determining the quantity of municipal services supplied to each such unit provided that where fixed quantity delivery systems are used, a single measuring device may be used to supply more than one unit.

22. PRE-PAYMENT METER SYSTEM

The Municipality may avail the municipal services of electricity and water by means of a pre-payment metering system to which the following provisions apply:

- (a) a customer may convert from a conventional meter to a pre-payment meter upon payment to the Municipality for the installation thereof and a deposit in an amount equal to the consumption of municipal services of such customer for the month preceding such installation;
- (b) no pre-payment meter will be installed or activated by the Municipality where there is any outstanding amount due to the Municipality in

respect of the account of a customer, except where an arrangement has been entered into with regards to the debt;

- (c) customers whose supply of municipal services have been terminated or disconnected on at least 3 (three) occasions as a result of non-payment, are compelled to install a pre-paid meter before any re-connection will be made;
- (d) no refund of the amount for which the customer purchased prepaid municipal services (water and electricity) shall be given at the point of sale;
- (e) when a customer vacates any premises where a pre-payment meter is installed, no refund for the credit remaining in the meter shall be made to the customer by the Municipality;
- (f) the Municipality shall not be liable for the reinstatement of credit in a pre-payment meter lost due to tampering with, or the incorrect use or the abuse of, pre-payment meters and/or tokens;
- (g) the Municipality may appoint vendors for the sale of credit for pre-payment meters and shall not guarantee the continued operation of any vendor services;
- (h) where a customer is indebted to the Municipality for municipal services consumed or for any other service supplied by the Municipality, including rates, or for any tariff, fees or charges previously raised against the customer in connection with any service rendered, the Municipality may cease the purchasing of any additional prepaid services, and
- (i) the provisions relating to Metering and the Limitation, Disconnection and Termination of the Municipal Services of Water and Electricity, as set out in this policy, apply *mutatis mutandis* to prepayment metering system.

23. STATEMENTS AND BILLING

- (1) Customers who concluded a service agreement with the Municipality and/or who are liable to pay property rates to the Municipality, will receive a statement, at such applicable time in the billing cycle, which reflects the amounts due and payable to the Municipality for tariffs, fees, charges, the consumption of municipal services and/or property rates.
- (2) The customer shall be liable for the payment of all rates, tariffs, fees, charges and the consumption of municipal services as levied and charged in terms of the prescribed Rates Policy, Tariff Policy, Tariff Schedule and applicable by-laws of the Municipality.
- (3) The Municipality may, in addition to the charges levied for municipal services consumed or provided, levy a monthly fixed charge, annual fixed charge or once-off fixed charge in respect of the provision of municipal services in accordance with the Tariff Policy, Tariff Schedule and applicable by-laws of the Municipality.
- (4) Where a fixed charge is levied as referred to above it shall be payable by every customer irrespective of whether such municipal services are used or accessed by the customer.
- (5) A statement will be furnished in accordance with the applicable billing cycle and the due date for the payment of the statement will be stated on the statement.
- (6) A statement will be furnished in accordance with the applicable billing cycle at the last recorded address of the customer with the Municipality.
- (7) It is the responsibility of a customer to ensure that the postal and/or physical address of such customer, where such customer wishes to receive the statement, and other contact details of such customer are correct and up to date in respect of the records thereof with the Municipality. Any incorrect or outdated information does not excuse any customer from the duty and obligation to make

payment to the Municipality of the amount due to the Municipality by such customer.

- (8) It is the customer's responsibility to make enquiries and ensure timeous payments in the event of statements not being received and such receipt of the statement is not a precondition to the duty and responsibility of a customer to effect payment thereof to the Municipality.
- (9) Where a statement is not paid in full, any lesser amount tendered and accepted by the Municipality, shall not be deemed to be in full and final settlement of such statement and acceptance shall be without prejudice to any of the rights of the Municipality.
- (10) Where any payment made to the Municipality by negotiable instrument and such negotiable instrument is subsequently dishonoured by a bank, the Municipality:
- (a) may recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer;
 - (b) shall regard such an event as a default on payment and will be entitled to utilise debt collection mechanisms as provided in this policy and to levy the relevant costs thereof against the customer's account;
 - (c) may insist on cash payments for all future statements; and
 - (d) may hand such customer over to the legal representatives of the Municipality for further legal action.
- (11) A customer is entitled to request a duplicate statement from the Municipality at the cost of such customer.
- (12) The Municipality will endeavour to ensure:
- (a) accurate monthly billing with the application of appropriate and correct prescribed rates, fees, levies, tariffs and service charges and other related amounts due and payable;

- (b) the timeous dispatch of statements to all customers;
 - (c) adequate provision and efficient operation of pay facilities throughout the Municipality;
 - (d) arrangements with third party institutions to accept payments on behalf of the Municipality. The responsibility to ensure that payments are reflected on the account however remains vested with the customer;
 - (e) appropriate hours of business to facilitate account payments;
 - (f) credit timeously any payment against the correct customers account;
 - (g) to provide easily understandable statements this will contain the following information:
 - (i) the consumption or estimated consumption of municipal services as determined for the measuring or consumption period;
 - (ii) the measuring or consumption period for municipal services;
 - (iii) the amount due based on the measured or estimated consumption;
 - (iv) the amount due and payable for property rates levied, fees, levies, tariffs and charges for municipal services rendered or fixed in terms of this policy;
 - (v) the amount in arrears, if any, and a notification that the Municipality shall be entitled to limit, disconnect or terminate the municipal services of water and electricity should the account remain in arrears;
 - (vi) the interest payable on any arrears, and collection charges in so far as they may be relevant;
 - (vii) the due date for payment.
- (13) The Municipality may, in the event of a customer being in arrears, convey the following information to the customer in any such manner as the Municipality deems appropriate, including incorporating same into the statement, that:

- (a) the customer may conclude an agreement as provided for in this policy with the Municipality for payment of the arrears in instalments, at the Municipality;
 - (b) if no such agreement, as envisaged above, is entered into the Municipality will be entitled to limit, disconnect or terminate municipal services;
 - (c) legal action may be instituted against any customer for the recovery of any amount in arrears and the customer will be held liable for payment of the legal costs;
 - (d) the defaulting customer's name may be listed with a credit bureau or any other equivalent body as a defaulter;
 - (e) the account may be handed over to a debt collector or attorney for collection;
 - (f) proof of registration, as a Registered Indigent, in terms of the Municipality's Indigent Policy must be handed in before the due date; and
 - (g) the municipal services may be limited, disconnected or terminated should the arrears remain unpaid.
- (14) An error or omission in any statement or the failure by the Municipality to render a statement does not relieve a customer of the obligation to pay any amount due and payable. A customer remains liable for the payment of all amounts whether a statement has been rendered or not. The onus shall be on the customer to satisfy himself/ herself that the statement rendered is in accordance with the prescribed rate, tariff, levy or charge as set out in the Tariff Policy, Tariff Schedule and by-laws of the Municipality.
- (15) Payments of statements must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the Municipality's bank account on or before the due date and not later than close of business on the said date.

(16) If payment of a statement is received after the due date, a late payment charge or interest as may be prescribed must be paid by the customer to the Municipality.

~~(17)~~ ~~(17)~~ The Municipality may hold any amount paid by a customer which is in excess of an existing debt in credit for the customer in anticipation of future rates, fees, levies and charges that may become owing in the future.

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~~(18)~~ (18) In addition to the notices referred to in this policy, customers with large service accounts may also be managed by telephonic and personal contact directly with them.

~~(19)~~ Where a body corporate is responsible for the payment of any arrears to the Municipality in respect of a sectional title development, the liability of the body corporate shall be extended to the members thereof, jointly, unless a member can proof that the member has already paid he/she/it's portion of the debt directly to the Municipality.

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~~(20)~~ (20) Payment/s or amounts received will be allocated by the Municipality, and irrespective of the description or allocation afforded thereto by the person effecting the payment, to the oldest debt first and thereafter to current charges in the following order:

- (a) interest;
- (b) administration costs;
- (c) legal and credit control charges;
- (d) any other charges by the Municipality;
- (e) refuse;
- (f) sewer;
- (g) rates;
- (h) water;

(i) electricity.

- (21) The amount due and payable on an account constitutes a consolidated debt, and any payment made of an amount less than the total amount due, will be allocated in reduction of the consolidated debt in the order specified above.
- (22) —The municipality may in terms of section 102, of Municipal Systems Act
- a) Consolidate any separate accounts of persons liable for payments to the Municipality
 - b) Credit a payment by such a person against any account of that person
- (22) Where an account remains in arrears for more than 60 (sixty) days:
- (a) the debtor's name may be listed with a credit bureau or any other equivalent body as a defaulter; and
 - (b) the arrears may be handed over to a debt collector or an attorney for the collection of the arrears and/or the institution of legal steps against the debtor.
 - (c) the Municipality must implement procedures for the removal of any adverse information such as a default or judgment as contemplated in the National Credit Amendment Act No 19 of 2014 ("NCAA").
- (23) Arrears of consumers who make no further use of, or has no further access to municipal services are considered inactive debtors who will automatically be handed over to a debt collector or an attorney for the collection of the arrears and/or the institution of legal steps against such a debtor, provided that:
- (a) the amount owing on such an inactive account is more than R 500.00 (five hundred rand);
 - (b) if smaller than R500.00 (five hundred rand) then recovery of such amount due will be subject to consideration of the cost- benefit ratio and whether such action shall be taken will be in the sole discretion of the Chief Financial Officer of the Municipality.

- (24) Any consumer who is in arrears will not be allowed to submit any building plans for approval, or any applications for rezoning, consents or approvals in terms of the Municipality's Land Use Management Scheme and the applicable legislation.
- (25) All information relating to accounts, statements and billing of customers are not public information and may not be disclosed by the Municipality, other than as provided for in law or in terms of the policy.
- (26) in terms of section 118 (3) of the Act, an amount due for municipal service fees, surcharge- on fees , property rates and other municipal taxes , levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property . Accordingly =
- a) All municipal debts must be paid by the owner of such property without prejudice- to any claim which the municipality may have against another person
 - b) The owner of such property shall be liable for charges incurred in connection with such property during his or her ownership and shall remain liable irrespective of the change of ownership;
 - c) The Municipality reserves the right to cancel a contract with the customer in default and register the owner of such property for services on the property; and
 - d) The municipality will not provide any services on the property until all municipal debts on the property have been paid in full or suitable arrangements have been made to pay such debts.
- (27) Where the property is owned by more than one person, each owner shall jointly and severally liable, the one paying the other to be absolved-, for all municipal debts charged on the property.

(28) Owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers for debts on their property, except for property rates.

(29) Refuse removal shall form part of the property debt payable by the owner of the property

(30) Directors of Companies, members of Close Corporations and Trustees shall sign personal surety ships with the Municipality when opening service accounts. If they are unable to sign the personal surety, they must pay a deposit equivalent to twice the usual deposit paid for opening accounts.

(31) the municipality may apply to the Companies and Intellectual Property Commission to re-register a deregistered company or close corporation for the purposes of recovering the amounts owed by that company or close corporation for all municipal debts which have accrued and shall recover the costs of registration from the directors or members accordingly

24. REFUNDS

- (1) Any customer may apply in writing for a refund of a credit balance on an account of such customer, provided that no other account of such customer, or an account regarding any premises to which the account with the credit balance of such customer relates, is payable or in arrears.
- (2) A written application for a refund should state the account number of the account on which the refund is requested, the amount of the refund, as well as the details of the bank account in which the refund should be deposited. The written application must be signed by the customer or the customer's authorised representative, in which instance the written application must be accompanied by a written power of attorney signed by the customer in terms of which the customer authorises the representative to apply for the refund on the customer's behalf.

(3) Refund applications will be considered, verified and processed by the Municipality in terms of its internal financial and accounting procedure.

(4) Refunds for an amount of less than R100.00 R250 (~~hundred rand~~) (two hundred and fifty rands) will not be granted by the Municipality as the cost and administrative burden associated with effecting such refund is not administratively and cost effective to the Municipality.

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(6)(5) The manner in which the Municipality elects to affect the refund remains in the discretion of the Municipality and may include a refund by either electronic transfer or by the issue a cheque.

(7)(6) A credit balance in respect of the account of a customer may be utilised to set off any arrears on any other account of such customer with the Municipality or any account regarding the premises to which the account with the credit balance of such customer relates, before the refund is effected.

(7) The Municipality is entitled to write back or appropriate any unclaimed money arising from a credit balance of a customer, if such amount is not claimed by such customer within a period of 3 (three) years from the date upon which it became due to the customer.

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(8) The Municipality shall be entitled to utilise any sundry refundable deposit kept by the Municipality towards the payment of any arrears.

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25. PAYMENT FACILITIES AND METHODS FOR PAYMENT

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- (1) The Municipality must operate and maintain suitable payment facilities which are accessible to all customers.
- (2) Direct or electronic payments can be made into the bank account of the Municipality. The customer must state the account number allocated to the customer by the Municipality as the reference on the proof of payment and if payment is made in respect of more than 1 (one) account, the respective account numbers must be stated. It is and remains the duty of the customer, at the time of payment, to inform the Municipality of the details of the account(s) for which the customer affected a direct or an electronic payment into the bank account of the Municipality in order for the Municipality to be able to correctly assign the payment made by the customer.
- (3) The Municipality may in terms of the provisions of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement to effect payments of the customer's account.
- (4) The use of an agent by a customer to effect payment of the debt of such customer as well as the timeous payment of such debt to the Municipality is at the sole risk of the customer.
- ~~(4)~~ Any direct deposits or electronic fund transfers of monies into the bank account of the Municipality, without the appropriate and correct reference details will be allocated in the books of the Municipality to a suspense account and it will remain the responsibility of the customer who made such deposit to ensure that the payment is allocated to the account of the customer.
- (5) Municipal payment facilities will be maintained subject to acceptable levels of activity and having regard to the operational costs thereof.

- (6) The Chief Financial Officer shall allocate payments made by the customers according to the pre-determined priorities set out in this policy.

26. INCENTIVE SCHEMES

1. The Municipality may, in order to encourage prompt payment by customers and/or to reward regular payments made by customers or payments made by means of debit or stop orders or the full settlement of any arrangement for the paying off of debt in instalments, consider incentives to such customers from time to time and may enter into any arrangements available in law, including those provisions in section 103 of the Systems Act, and section 71 of NCA.

2. The Council may from time to time implement incentives to promote prompt payment of accounts by encouraging ratepayers /consumers who are in arrears in respect of the payment of their accounts to clear their outstanding debt within a reasonable period of time.

- (a) The incentives offered in this policy may only be valid for a limited period of time, where after the Council may revert to normal sanctions to those customers who remain in default. The following incentive is offered when arrangement is made to settle debt outstanding.

(i) interest that remain unpaid in the outstanding balance will be granted written back when a once off payment/settlement is made within 30 days.

~~(i)(i) Interest may not be levied on an account where the customer has signed an acknowledgement of debt and is honoured. should the arrangement not be honoured, the interest shall be charged.~~

27. ENQUIRIES, DISPUTES AND SERVICE COMPLAINTS

- (1) The Municipality will, within its administrative and financial ability, establish:
- (a) a central office to deal with and address enquiries, disputes and/or service complaints received from customers;

- (b) a centralised database dealing with enquiries, disputes and/or service complaints received from customers, in order to effectively address such enquiries, disputes and/or service complaints;
 - (c) appropriate training for employees of the Municipality dealing with the public to enhance communications and service delivery and to effect the prompt and effective method for dealing with enquiries, disputes and/or service complaints; and
 - (d) a communication mechanism to provide feedback on the application of the policies on customer care and management, credit control and debt collection, enquiries, disputes and/or service complaints, or any other issues of concern to the Municipal Manager, Executive Mayor and/or Council.
- (2) A consumer may lodge a query consisting of questioning the accuracy of a statement or questioning any aspect regarding the provision of municipal services, including the accuracy of a measuring device or meter.
- (3) A consumer may lodge a service complaint consisting of a complaint regarding the manner in which the Municipality is delivering the municipal service or any complaint regarding any other aspect or attribute of the municipal service or any other public service rendered by the Municipality including the customer care and customer management of the Municipality.
- (4) A consumer may lodge a dispute as contemplated in section 102(2) of the Systems Act concerning any specific amount claimed by the Municipality from that consumer.

28. QUERIES AND SERVICE COMPLAINTS

- (1) A query or service complaint may be lodged with the Municipality by a consumer in writing and must be addressed to the office of the Chief Financial Officer or such official as designated by the Chief Financial Officer to deal with queries or

service complaints. The query or service complaint must contain the account number of the municipal account to which the query or service complaint relates if applicable, if the details of the query or service complaint as well as the contact details and identity of the consumer lodging the query or service complaint.

- (2) The office of the Chief Financial Officer shall register the query or service complaint, provide a reference number and acknowledgment of receipt to the consumer lodging the query or service complaint within 7 (seven) days from receipt of the query or service complaint, and register the query or service complaint and its reference number in a register kept for this purpose.
- (3) The office of the Chief Financial Officer will commence dealing with the query or service complaint by first determining whether the query or service complaint must be dealt with by the office of the Chief Financial Officer, or whether it should rather be dealt with by the office of another responsible directorate more suitable to address the query or service complaint, in which instance the office of the Chief Financial Officer must immediately refer the query or the service complaint to such a directorate which directorate in turn must in writing acknowledge receipt of the query or service complaint and investigate the complaint.
- (4) The Municipality, either the office of the Chief Financial Officer or the applicable directorate, must within 14 (fourteen) days from acknowledging receipt of the query or service complaint investigate the query or service complaint and inform the consumer who has lodged the query or service complaint of the outcome of the investigation in writing. The consumer must also be simultaneously informed of the consumer's right of appeal, as set out herein below. If the query or service complaint was not dealt with by the office of the Chief Financial Officer then the applicable directorate who dealt with the query or service complaint must also inform the office of the Chief Financial Officer of the outcome of the matter, in order to allow for the office of the Chief Financial Officer to record the fact that the matter was dealt with, in the register referred to above.

- (5) Notwithstanding the lodging of a query or service complaint the consumer remains liable for the payment of the amount claimed by the Municipality in an instance where the query or service complaint pertains to an amount claimed by the Municipality or to make payment for municipal services in an instance where the query or service complaint relates to a municipal service or other public service provided by the Municipality. If the outcome of a query or service complaint indicates that the Municipality claimed payment of an amount or part of the amount which is not due, the Municipality will effect the necessary adjustment to the account and provide the required credit.
- (6) A consumer who is aggrieved by the outcome of a query or service complaint lodged by the consumer may appeal the outcome, to which appeal process the following provisions apply:
- (a) an appeal must be made in writing, setting out the details of the query or service complaint initially lodged by the consumer, the outcome which was received pertaining thereto from the Municipality as well as the grounds of the appeal and the contact details and identity of the consumer lodging the appeal;
 - (b) an appeal must be lodged with the office of the Municipal Manager within 21 (twenty one) days after the consumer received the outcome of the query or service complaint from the Municipality;
 - (c) if the appeal relates to the testing of any measuring device or meter the Municipality may require the consumer to make payment of an amount as determined by the Municipality to effect the testing of the measuring device or meter prior to the Municipality proceeding to deal with the appeal. If the outcome of the appeal is in favour of the consumer who lodged the appeal then such amount shall be refunded;
 - (d) once the office of the Municipal Manager has received a properly noted appeal, the office of the Municipal Manager must within 7 (seven) days proceed to request the office of the Chief Financial Officer or the applicable directorate who dealt with the query or service complaint to which the appeal relates to provide a written report in response to the grounds of appeal, within 14 (fourteen) days from being requested to do so, setting out the reasons of the outcome of the query or service

complaint. The Municipal Manager may request any party to provide further detail or information as required to assist in the consideration of the appeal or to clarify any issues;

- (e) the Municipal Manager shall then within 14 (fourteen) days after having received the response of the office of Chief Financial Officer or the applicable directorate and any additional information requested, consider the appeal and inform the consumer who lodged the appeal of the outcome in writing;
- (f) if the appeal relates to the testing of any measuring device or meter the following provisions will apply to the appeal process:
 - (i) the Municipal Manager shall consider the appeal within 14 (fourteen) days after having received the outcome of the test results of the tests conducted; and
 - (ii) the provisions relating to the testing of a measuring device or meter as set out in this policy will apply *mutatis mutandis*;
- (g) the decision of the Municipal Manager is final;
- (h) the Municipal Manager may condone the late lodging of an appeal or any other procedural irregularity pertaining to an appeal in a written notice expressly doing so.

29. SECTION 102(2) DISPUTES

A dispute declared by a consumer in terms of the provisions of section 102(2) of the Systems Act, must be declared and dealt with as follows:

- (a) a consumer who wishes to declare a dispute in terms of the provisions of section 102(2) of the Systems Act, must declare such dispute in writing to the office of the Municipal Manager of the Municipality by means of a written declaration of the dispute, which writing must contain and set out the following:
 - (i) the account number to which the dispute relates;
 - (ii) the specific amount(s) to which the dispute relates;

- (iii) a detailed description of the dispute and the grounds upon which and the reasons why the dispute is being declared together with any supporting documentation;
 - (iv) the redress requested by the consumer;
 - (v) the signature of the consumer who/which is the account holder of the account to which the dispute relates, or if the dispute is being declared by a person other than the holder of the account to which the dispute relates, a power of attorney by the holder of the account to which the dispute relates authorising the person who declares the dispute to do so, which must accompany the written declaration of the dispute;
- (b) a consumer who declares a dispute will only be entitled to the protection afforded to the consumer in terms of the provisions of section 102(2) of the Systems Act, if the dispute is declared as provided in terms of this policy;
- (c) upon receipt of the written declaration of the dispute, the office of the Municipal Manager will within 7 (seven) days after receipt of the written declaration of dispute, refer the dispute to the office of the Chief Financial Officer or any delegated official of the Municipality, who will investigate the dispute and within 14 (fourteen) days after having received the dispute, make a finding on the outcome thereof as to the redress, if any, to be afforded to the consumer who declared the dispute;
- (d) the office of the Chief Financial Officer or any delegated person must communicate the finding to the office of the Municipal Manager within the above stated 14 (fourteen) days, who in turn must communicate the finding of the Chief Financial Officer or any delegated official to the consumer who declared the dispute, within 7 (seven) days after having received the finding of the Chief Financial Officer or any delegated official;
- (e) a consumer who is aggrieved by the finding of the Chief Financial Officer or any delegated official may lodge an appeal against the finding of the

Chief Financial Officer or any delegated official in accordance with the below stated provisions;

- (f) an appeal lodged against the finding of the Chief Financial Officer or any delegated official on a dispute declared by a consumer, must:
 - (i) be lodged in writing to the office of the Municipal Manager and comply *mutatis mutandis* to the provisions of sub-paragraph (a) above;
 - (ii) be lodged within a period of 7 (seven) days after the date on which the finding of the Chief Financial Officer or any-delegated official was dispatched to the consumer by the office of the Municipal Manager; and
 - (iii) be decided on by the Municipal Manager of the Municipality who may be advised by an attorney from the Panel of Attorneys of the Municipality, who must decide the outcome of the appeal and communicate the decision on the outcome of the appeal to the consumer who lodged the appeal within 14 (fourteen) days after the appeal has been received;
- (g) the decision made by the Municipal Manager on an appeal lodged by the consumer who declared the appeal against the finding of the Chief Financial Officer or any delegated official, shall be final and binding on the parties and constitutes the disposal and end of the dispute declared in terms of section 102(2) of the Systems Act;
- (h) where a dispute has been declared and such dispute has been dealt with as set out above, the subject matter of such a dispute is disposed of and the consumer who declared the dispute may not declare a further dispute on the subject decided matter, or any part thereof;
- (i) the declaring of a section 102(2) dispute as contemplated above, does not excuse the consumer from paying, or suspend the obligation to pay the amount which forms the subject of the dispute, or any other amount due to the Municipality in terms of the statement containing the amount which forms the subject of the dispute;
- (j) if the finding of the Chief Financial Officer or any delegated official or the Municipal Manager in the event of an appeal, is that an adjustment

on an account is warranted to the benefit of the consumer who lodged the appeal, the relevant account will be credited accordingly.

30. GRANTING AN EXTENSION OF THE PERIOD IN WHICH TO MAKE PAYMENT OF AMOUNTS DUE IN TERMS OF AN ACCOUNT

- (1) If a customer is not able to make payment to the Municipality of the amount due in terms of the statement of such a customer, on the due date of the said statement, the Municipality may, in its sole discretion and on receipt of a written application from the debtor, grant an extension of the period in terms of which payment of such statement must be made by the customer, on the following conditions:
- (a) the customer shall apply in writing to the office of the Chief Financial Officer for an extension of the due date by which a debt reflected on a statement or portion thereof, must be paid to the Municipality;
 - (b) the written application referred to above must stipulate the account number of the customer, the reasons why the extension of the due date is required, details of the financial position of the customer as well as the contact details and identity of the customer;
 - (c) the written application must be received by the office of the Chief Financial Officer prior to the due date for payment of the amount due in terms of the statement;
 - (d) the office of the Chief Financial Officer will consider the application by the customer as soon as reasonably possible and inform the customer of whether or not the application was granted, wholly or in part, and also stipulate the date upon which payment of the amount as reflected in the statement must be made in lieu of the due date as indicated on the statement;
 - (e) no extension may be granted to any customer who is under administration in terms of the Magistrates Court Act, Act 32 of 1944 or who has an arrangement with the Municipality to pay off previous arrears in instalments or within an extended time or against whom debt collection measures have been implemented;

- (f) an extension for payment granted by the Municipality in terms of this policy, is subject to the customer signing an acknowledgment of debt for the arrear amount(s) not paid to the Municipality on the due date as reflected on the statement.
- (2) If the customer fails to make payment of the amount reflected in the statement, or such amount as indicated by the office of the Chief Financial Officer, on the date indicated by the office of the Chief Financial Officer, then the customer will be in arrears with such an amount and the provisions of this policy will apply and the customer will become a debtor.

31. ARRANGEMENTS TO PAY ARREARS IN CONSECUTIVE INSTALMENTS

- (1) If a debtor is in arrears with the payment of an account to the Municipality, the Municipality may, in its sole discretion, enter into a written arrangement for the payment of the arrears, on the following conditions:
 - (a) only a debtor or a person authorised in writing on behalf of a juristic person which is the debtor, will be allowed to enter into and sign an agreement or arrangement for the payment of any arrears;
 - (b) the written agreement has to be signed on behalf of the Municipality by the duly authorised official;
 - (c) the debtor must acknowledge the fact that the arrears are due and payable and that the debtor will continue to make payment to the Municipality of the debtor's current account while simultaneously reducing the arrears in terms of the arrangement and must sign a separate acknowledgement of debt;
 - (d) any debtor who did not honour a previous arrangement or agreement will not be considered for a new agreement or arrangement unless exceptional circumstances exist;
 - (e) the debtor must agree that the arrears will be settled by making consecutive monthly instalment payments which must be maintained and any default will result in the whole outstanding amount becoming immediately due and payable and the municipal services, if applicable,

being limited or disconnected without further notice, upon the debtor's default;

- (f) the Municipality shall seize the further levying of interest, on the arrears in the event of an arrangement being entered into. Should the debtor fail to honour the arrangement, any interest not levied, will immediately be levied at the prescribed rate at the time and the entire amount due as interest will also become immediately due and payable together with the balance of the arrears;
- (g) the period over which as well as the monthly instalment which the debtor will be paying in terms of the arrangement to extinguish the arrears and interest, if any, will be agreed between the debtor and the Municipality with the provision that if the amount for the instalments or the period is not acceptable to the Municipality, the Municipality may decline to enter into the arrangement, and the debtor will be held liable for the immediate payment of the arrears and interest;
- (h) a debtor will be required to complete a debit order for the payment of the instalments payable in terms of the arrangement;
- (i) no arrangement for the payment of arrears will be longer than a period of 18 (eighteen) months. The Municipality may on an individual basis allow a longer period than the aforementioned 18 (eighteen) months for the payment of arrears, if exceptional circumstances exist that in the opinion of the Municipality warrants such an extension;(2) The Municipality is entitled to require a debtor to comply with any or all of the following requirements in the event of an arrangement being granted:
 - (a) sign a consent to judgement and agreement containing the terms of the arrangement which may include terms in addition to those contained in this policy;
 - (b) provide a garnishee order/emolument order/stop order, if the debtor is employed;
 - (c) acknowledge liability of all costs including legal costs incurred; and
 - (d) prove levels of income and make reasonable payment of arrears based on the ability to pay.

- (3) The Municipality, in exercising its discretion to conclude an arrangement with a debtor for the paying of arrears may also have regard to a debtor's:
- (a) credit record;
 - (b) consumption of municipal services;
 - (c) level of the municipal service;
 - (d) whether previous arrangements to pay off arrears were entered into with the debtor and whether any were complied with; and
 - (e) any other relevant factors.
- (4) A copy of the arrangement will be made available to the debtor.
- (5) If a debtor fails to comply with an arrangement for the payment of arrears, the total of all outstanding amounts, including the arrears, any interest thereon, administration fees, costs incurred in taking relevant action, and penalties, including payment of a higher deposit, will be immediately due and payable and the Municipality will be entitled to limit or disconnect any municipal services being delivered to the said debtor, without further notice.
- (6) The Municipality may at any time deviate from the arrangement guidelines provided in this policy, but only upon the written recommendation from the Chief Financial Officer to do so, which recommendation must be approved in writing by the Municipal Manager of the Municipality.
- (7) In the event of debtor entering into an arrangement with the Municipality to pay the arrears off in a single instalment, the Municipality will write off interest on the arrears as at the date of the payment of the arrears.
- (8) Arrangements made outside the 18 (eighteen) month period will require written requested by the debtor to the office of the CFO. The request shall be accompanied by, at minimum, a 3 month bank statement, proof of identification and where necessary proof of ownership/authority over the property.

32. CATEGORIES OF DEBTORS AND GUIDELINES FOR THE GRANTING OF EXTENSIONS OF DUE DATES FOR PAYMENT OR THE ENTERING INTO OF ARRANGEMENTS FOR THE PAYING OFF OF ARREARS

In exercising its discretion whether or not to grant an extension of the period in terms of which the customer may make payment of an account, or to enter into an arrangement for the paying off arrears in instalments or any other applicable action to be taken by the Municipality regarding customers whose accounts are in arrears, the Municipality may also take into account the following guidelines and norms applicable to different the different categories of debtors referred to below:

OWNERS OF RESIDENTIAL PROPERTY	
DEBT	PAYMENT / ARRANGEMENT
R0 - R5 000	No arrangements will be made, and the accounts must be settled in full
R5 001 - R10 000	40% of the outstanding debt must be paid by the debtor immediately as a down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 3 (three) months or sooner.
R10 001.00 - R20 000.00	30% of the outstanding debt must be paid by the debtor immediately as a down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 6 (Six) months or sooner.
R20 001.00 - R40 000.00	20% of the outstanding debt must be paid by the debtor immediately as down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 12 (twelve) months or sooner.
R40 001.00 +	15% of the outstanding debt must be paid by the debtor immediately as a down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 24 (twenty four) months or sooner.

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For all arrangements above R100 000 the Municipal Manager and/or the Chief Financial Officer must give authorisation

OWNERS OF BUSINESSES, COMMERCIAL, INDUSTRIAL AND/OR MINING PROPERTY	
DEBT	PAYMENT / ARRANGEMENT
R0 – R40 000	No arrangement is allowed for this amount and the full outstanding amount must be paid by the debtor.
R40 001 – R150 000	50% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 6 (six) months or sooner.
R150 001.00 – R500 000	30% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in monthly instalments within a period of 6 (six) months or sooner.
R500 001 +	25% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in monthly instalments within a period of 12 (twelve) months or sooner.

For all arrangements above R100 000 the Municipal Manager and/or the Chief Financial Officer must give authorisation

OWNERS OF PROPERTY USED FOR RELIGIOUS PURPOSES, PUBLIC BENEFIT ORGANISATIONS, WELFARE ORGANISATIONS, CHARITABLE INSTITUTIONS, ANIMAL WELFARE, MUSEUMS, LIBRARIES, ART GALLERIES AND BOTANICAL GARDENS, YOUTH DEVELOPMENT ORGANISATIONS AND/OR CULTURAL INSTITUTIONS AND EDUCATION	
DEFAULT	PAYMENT / ARRANGEMENT

R0 - R10 000	No arrangement is allowed for this amount and the full outstanding amount must be paid by the debtor.
R10 001 – R50 000	50% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 6 (six) months or sooner.
R50 001 – R100 000	25% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 12 (twelve) months or sooner.
R100 001+	20% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 18 (eighteen) months or sooner.

DEBTORS UNDER ADMINISTRATION	
DEFAULT	PAYMENT / ARRANGEMENT
All debts:	The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
	The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer to the provisions of section 74S of the Magistrates Courts Act, Act 32 of 1944.
	As soon as the Municipality is informed about the status of the debtor being placed under administration, the debtor is to be placed on limited services levels. The customer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover

	the cost of the basic services by means of purchases made on the prepaid meter.
	Should there be any default on the current account the supply of services is to be limited or disconnected and the debt incorporated into the administration for the collection of this debt.

COUNCILLORS AND EMPLOYEES OF THE MUNICIPALITY:

DEFAULT	PAYMENT / ARRANGEMENT
	<p>In accordance with the provisions item 12A of Schedule 1 of Systems Act, a Councillor may not be in arrears to the Municipality for rates and/or services charges for a period longer than 3 (three) months.</p> <p>In order to ensure timeous payment of Councillors' accounts, all Councillors shall be subject to an automatic deduction instituted against the Councillor allowance payments, on a monthly basis. <u>The Municipality shall deduct any arrear amounts from the salary of such a Councillor, which deduction is 25% of the gross salary</u></p>
All debts:	<p>In accordance with the provisions of Item 10 of Schedule 2 of Systems Act, an employee of the Municipality may not be in arrears to the Municipality for rates and/or services charges for a period longer than 3 (three) months. In order to ensure timeous payment of employees' accounts, all employees shall be subject to an automatic deduction instituted against the employees' salary payments, on a monthly basis, and the Municipality shall deduct any arrear amounts from the salary of such an employee after this period, which deduction is 25% of the gross salary of the employee, as in line with s34(2)(d) of the Basic conditions of Employment Act.</p>

CHAPTER 5

CREDIT CONTROL AND DEBT COLLECTION MEASURES AND OTHER INSTANCES FOR THE LIMITATION, DISCONNECTION OR TERMINATION OF MUNICIPAL SERVICES

33. DIFFERENT DEBT COLLECTION AND CREDIT CONTROL MEASURES

- (1) The Municipality shall be entitled to utilise and implement any one or more of the following debt collection and credit control measures in respect of any arrears and as provided for in this policy:
- (a) a notice of demand;
 - (b) the limitation, disconnection or termination of the municipal services of water and electricity;
 - (c) the raising of penalties and interest charges on arrears;
 - (d) the institution of debt collection procedures and legal proceedings to recover debt
 - e) 60/40% prepayment debt recovery, the municipality may allocate 60% of payment to the arrears and 40% to the purchase of electricity to customer who purchases prepaid electricity with other services in arrears.
- (2) As a result of the provisions of section 75A, as contained in Chapter 8 of the Systems Act, entitling a Municipality to levy and recover fees, charges or tariffs in respect of any function or service of the Municipality and to recover collection charges and interest on any outstanding amount, the institution of legal proceedings to recover debt shall not constitute a "debt collection and credit control measure" for the purpose of and as contemplated in the provisions of section 102(1), read with section 102(2) of the Systems Act, as the Municipality's right to levy and recover fees, charges or tariffs in respect of any function or service of the Municipality as well as collection charges and interest on any outstanding amount, is not a debt collection and credit control measure

provided for in Chapter 9 of the Systems Act, but a statutory right of the Municipality provided for in Chapter 8.

34. NOTICE OF DEMAND

- (1) When a consumer is in arrears the Municipality shall serve a notice of demand claiming payment of the arrears within 14 (fourteen) ~~calendar~~ working days from the date depicted on the notice of demand, and informing the consumer of the Municipality's right to limit, disconnect or terminate the municipal services of water and electricity should the arrears remain unpaid.
- (2) The failure to serve a notice of demand does not relieve a consumer from paying such arrears.
- (3) The notice of demand must contain the following:
 - (a) the amount in arrears and any interest payable;
 - (b) that the consumer's name may be listed with a credit bureau or any other equivalent body as a defaulter;
 - (c) that the account may be handed over to a debt collector or attorney for collection and/or the institution of legal steps; and
 - (d) and that the Municipality has the right to limit, disconnect or terminate the municipal services of water and electricity should the arrears remain unpaid, or the consumer's actions allow the Municipality to limit, disconnect or terminate the municipal services, without further notice;
 - (e) that, in the event of the limitation or discontinuation of the water or electricity provision services, the consumer is afforded an opportunity to make representations to the Municipality as to why the Municipality should not proceed to limit or discontinue the water supply services to the consumer, which representation must be made by the consumer within 14 (fourteen) days from the date of the notice of demand.

- (4) The right to be afforded reasonable notice of the Municipality's intention to limit or discontinue the water supply services to a consumer or to be afforded an opportunity to make representations to the Municipality as to why the Municipality should not proceed to limit or discontinue the water or electricity supply services to the consumer as referred to above, shall not apply in instances where:
- (a) other consumers would be prejudiced;
 - (b) there is an emergency situation;
 - (c) the consumer has interfered with a limited or discontinued service.
- (5) A notice of demand sent through ordinary post shall be deemed to be delivered and actionable should the debtor fail to make payment on the account or arrangement to settle the account.

35. THE LIMITATION, DISCONNECTION OR TERMINATION OF THE MUNICIPAL SERVICES OF WATER AND ELECTRICITY

- (1) The Municipality shall be entitled, subject to the 14 (fourteen) day notice period referred to above, to limit the municipal service of water, disconnect the municipal service of electricity (both conventional and pre-payment) or to terminate the provision of municipal services altogether, save for the provision of a limited supply of potable water, to a consumer, in the following instances:
- (a) failure to pay arrears subsequent to a notice of demand being served;
 - (b) failure to rectify a breach of any of the provisions of this policy, or any other Policy, By-Law of the Municipality or statutory provision, after being notified of the said breach;
 - (c) failure to conclude or honour the terms and conditions of an arrangement to pay arrears in consecutive instalments;
 - (d) failure to comply with a condition of supply relating to any municipal service imposed by the Municipality;

- (e) if there has been any unlawful obstruction of or interference with any equipment or services;
- (f) if the consumer supplies or attempts to supply or "on sell" such municipal service to a person who is not entitled thereto or permits such service to continue;
- (g) if the Municipality fails to obtain actual readings for a period of 3 (three) consecutive months and the consumer was notified in writing by the Municipality to avail the readings but fails to respond within the prescribed time;
- (h) the building on the premises to which services were provided has been demolished;
- (i) at the written request of the consumer;
- (j) if there has been a material abuse of the municipal services by the consumer;
- (k) if the execution of necessary and/or required repairs or maintenance necessitates;
- (l) in instances of emergencies where the provision of certain municipal services are not possible; and
- (m) if there has been any unlawful connection, or any unauthorised activity relating to any municipal installations or services or the services are used for the conducting of a category of use other than that for which the consumer is registered.

(23) The costs of any limitation, disconnection or termination of municipal services and the restoration or re-connection thereof, including any interest thereon, administration fees, additional charges, costs incurred in taking relevant action and any penalties, including the payment of a higher deposit, payable in terms of this policy, will be payable by the consumer in full to the Municipality before any reconnection or restoration of the municipal services will take place.

(34) The Municipality shall have the right to limit, disconnect or terminate municipal services in accordance with this policy if there is any arrears and irrespective of

whether payment has been made in full or in part for or towards the municipal service which has been limited, disconnected or terminated.

- (54) Notwithstanding that a municipal service connection to an approved installation may have already been completed, the Municipality may at its absolute discretion, refuse to supply municipal services to that installation, until all arrears by the same consumer in respect of that or any other service connection, whether or not on the same premises, have been paid.
- (56) An arrangement to pay arrears in consecutive instalments entered into after the municipal services was limited, disconnected or terminated, will not result in the municipal services being restored or reconnected until the arrears, any interest, administration fees, costs incurred in taking relevant action and any penalties, including payment of a higher deposit, are paid in full.
- (76) The Municipality may without notice, limit, disconnect or terminate the provision of municipal services, including the supply of water and the supply of water and electricity services provided through pre-payment meters (which could include the restricting and/or allocation of credit purchases for pre payment meters) to any premises, and without prejudice any of the Municipality's rights, including the right to enter upon such premises and carry out, at the consumer's expense, such emergency work, as the Municipality may deem necessary and in the following circumstances:
- (a) in an emergency where the Municipality considers it necessary as a matter of urgency to prevent any wastage of municipal services, unauthorised use of municipal services, damage to property, danger to life or pollution of municipal services, and national disaster or if sufficient municipal services are not available;
 - (b) where a consumer uses the municipal services for any purpose or deals with the supply of the municipal services in any manner which the Municipality has reasonable grounds for believing interferes in an improper or unsafe manner or is found to interfere in an improper or unsafe manner with the efficient supply of the municipal services to any

other consumer. Where the consumer causes or allows any other consumer to connect to the services supplied to him, the Municipality may limit, disconnect or terminate such municipal service but shall restore such service as soon as reasonably possible once the cause for the disconnection has been permanently remedied or removed;

- (c) where a consumer causes a situation which is in the opinion of the Municipality constitutes a danger or potential danger to a person or property or a contravention of relevant legislation;
- (d) where a consumer interferes with the supply to any other consumer;
- (e) where there is a serious or grave risk to any person or property;
- (f) for reasons of community safety or the safety of emergency personnel;
- (g) where *prima facie* evidence exists of a consumer and/ or any person having tampered with or contravened the provisions of this policy the Municipality shall have the right to disconnect the supply of municipal services immediately and without prior notice to the consumer or premises where the contravention has taken place;
- (h) if there has been material abuse of the municipal services;
- (i) if the use of municipal services is creating unacceptable environmental damage or water pollution.

36. RECONNECTION OR REINSTATEMENT OF MUNICIPAL SERVICES

- (1) The Municipality shall reconnect or reinstate municipal services limited, disconnected or terminated in terms of this policy, if:
 - (a) the arrears have been paid by the debtor, or an arrangement for the paying of the arrears in instalments has been concluded between the Municipality and the debtor; and
 - (b) the costs of any limitation, disconnection or termination of municipal services and the restoration or re-connection thereof, including any interest administration fees, additional charges, costs incurred in taking relevant action and any penalties, including the payment of a higher

deposit, payable in terms of this policy, have been paid by the debtor;
and

- (c) there are no other grounds to continue the limitation, disconnection or termination provided in this policy.

- (2) The Municipality may when restoring or reinstating municipal services limited, disconnected or terminated as a result of non-payment or a breach of the terms of their policy, install or convert a conventional measuring device or meter with a prepayment metering system in order to execute credit control.

37. TERMINATION OF MUNICIPAL SERVICES BY CUSTOMER

If the customer is of the intention to terminate the services agreement with the Municipality or to terminate one or more of the municipal services being rendered to the customer, the customer shall give notice in writing, of not less than 7 (seven) days to the Municipality of this intention, by completing the relevant service discontinuation and account closure forms as prescribed by the Municipality requesting the Municipality to terminate the services agreement concluded with the Municipality and/or the provision of the municipal service(s). Until such time as the service agreement or municipal services have been terminated the customer remains liable for all and any charges, fees, tariffs, levies and the consumption charges of municipal services.

38. TERMINATION OF MUNICIPAL SERVICES AGREEMENT BY THE MUNICIPALITY

The Municipality may terminate the services agreement for the provision of a municipal services which the Municipality concluded with a customer, by notice in writing of not less than 30 (thirty) days:

- (a) if the customer has not used the municipal service(s) during the preceding 6 (six) months and has not made arrangements to the satisfaction of the Municipality for the continuation of the relevant municipal service;

- (b) if the Municipality has made an arrangement with another service provider to provide the municipal service concerned to the customer;
- (c) the customer has vacated the premises to which the agreement concerned relates;
- (d) if the customer has failed to comply with the provisions of this policy and the applicable by-laws and has failed to rectify such failure following notice to do so;
- (e) the building on such premises has been demolished or declared unsafe for occupation;
- (f) the customer has failed to pay the prescribed charges, fees, tariffs, levies, consumption charges or other amounts due to the Municipality.

39. TEMPORARY DISCONNECTION AND RECONNECTION

- (1) The Municipality shall at the request of the customer and when reasonably possible, temporarily disconnect and reconnect the supply of municipal services for the consumer to effect an installation on the premises requiring the disconnection of the municipal services, upon payment of the prescribed fee for such disconnection and reconnection.
- (2) The Municipality may temporarily disconnect or alter or move or change the supply of municipal services to any premises without notice, for the purpose of effecting repairs or carrying out tests or for any other legitimate purpose.

Regarding the temporary disconnection of the electricity supply, the Municipality will endeavour to give effect and implement to the provisions of NRS 047-1:2005 Edition 3 relating to planned disconnections.

40. LEVYING OF PENALTIES AND INTEREST CHARGES ON ARREARS

- (1) The Municipality may in terms of section 75A of the Systems Act charge interest on arrears at the interest rate determined by the Council from time to time.

- (2) Where any payment made to the Municipality is later dishonoured by the bank, the Municipality may levy such cost and administration fees against an account of the customer as approved from time to time by the Council and set out in the Tariff Schedule referred to in the Tariff Policy.
- (3) All legal costs, including attorney and own client costs, incurred in the recovery of arrears shall be levied and recovered from the debtor.
- (4) Where any action is taken by the Municipality in demanding payment from the debtor or reminding the debtor by means of telephone, fax, email, letter or otherwise, that the account of the said debtor is in arrears and that payments on the account are overdue, a penalty fee may be levied against the account of the debtor in the amount as set out in the Tariff Schedule of the Municipality.
- (5) Where any municipal service is disconnected as a result of non-compliance with the provisions of this policy by the debtor, the Municipality shall be entitled to levy and recover the standard disconnection fee, as determined by the Municipality from time to time, from the debtor in terms of the Municipality's Tariff Schedule.

41. THE INSTITUTION OF DEBT COLLECTION PROCEDURES AND LEGAL PROCEEDINGS TO RECOVER DEBT

- (1) Where an account remains in arrears for more than 60 (sixty) days: the debtor's name may be listed with a credit bureau or any other equivalent body as a defaulter and the arrears may be handed over to a debt collector or an attorney for the collection of the arrears and/or the institution of legal steps against the debtor.

- (2) The Chief Financial Officer must exercise strict control over this process and must require regular progress reports from attorneys, debt collectors and/or other parties concerned.
- (3) The Municipality must ensure that the terms, conditions, duties and obligations of any service providers appointed by the Municipality to collect outstanding debts, are sufficiently documented in a service level agreement and the Chief Financial Officer must ensure that the terms and conditions of the service level agreement are complied.
- (4) Once arrears have been handed to an attorney or other person for the collection of the arrears any further arrangements, agreements or communications must be made directly with such attorney or debt collector within the boundaries of this Credit Control and Debt Collection Policy.
- (5) In terms of the provisions of section 103 of the Systems Act the Municipality may:
- (a) with the consent of the debtor, enter into an agreement with the employer of the debtor in order to deduct from the salary or wages of such debtor:
 - (i) any outstanding amounts due to the Municipality in terms of this policy; or
 - (ii) such regular monthly amounts as may be agreed and
 - (b) provide special incentives for:
 - (i) employers to enter into such agreements; and
 - (ii) debtors to consent to such agreements.
- (6) Any and all collection and/or legal fees occasioned by the debt collection process are payable by the debtor concerned.
- (7) In the event that the Municipality has listed a consumer with a Credit Bureau and the consumer has subsequently settled their obligation in terms of the

listing, the Municipality shall inform the Credit Bureau within 7 (seven) days of such payment and request the removal of the listing

42. FULL AND FINAL SETTLEMENT

If a consumer tenders payment of an amount less than the amount that is due and payable to the Municipality or tenders payment of any arrears, and such payment is accepted by the Municipality, such payment will not be in full and final settlement of the amount due and payable or arrears, irrespective of the consumer indicating that such payment is in full and final settlement, unless it is part of a written agreement between the consumer and the Municipality in terms of which the Municipality expressly states that it is prepared to accept the payment in full and final settlement.

43. JOINT AND SEVERAL LIABILITY OF OWNERS, TENANTS AND OCCUPIERS

Notwithstanding any other provision in this policy, the owner, tenant or occupier of premises to which municipal services are provided, or in respect of which any levies, fees, charges or tariffs are imposed or levied, are jointly and severally liable for the payment of any consumption charges, levies, fees, charges or tariffs, despite any contractual obligation or arrangement to the contrary between any of the said parties, and irrespective of whether a municipal services agreement was concluded between the Municipality and such owner, tenant or occupier of the premises regarding the provision of the municipal services to which the consumption charges, levies, fees, charges or tariffs relate.

44. JOINT AND SEVERAL LIABILITY OF OWNERS, TENANTS AND OCCUPIERS FOR ARREARS REGARDING RATES

- (1) In terms of section 28 of the MPRA the Municipality may recover arrears for rates in whole or in part from the owner, tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier, subsequent to written notice to the tenant or occupier. The Municipality may recover these arrears only after the Municipality has served a written notice on the tenant or occupier.
- (2) The amount the Municipality may recover from the tenant or occupier of a property in terms of sub-paragraph (1) is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property.
- (3) Any amount the Municipality recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owed by the tenant or occupier of the owner.
- (4) The tenant or occupier of a property must, on request by the Municipality, furnish the Municipality with a written statement specifying all payment to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the Municipality.

CHAPTER 6

CUSTOMER ASSISTANCE

45. RATE REBATE

Rate rebates will be granted as set out in the Rates Policy and By-Law of the Municipality.

46. FREE BASIC SERVICES

The Municipality will provide the free basic municipal services as set out in the Tariff Policy and By-Law of the Municipality. In the event that any municipal service is limited, disconnected or terminated in terms of this policy the free portion of such municipal services provided for in terms of this section and the Tariff Policy and By-Law, will also not be unlimited for as long as the municipal service remains limited, disconnected or terminated.

47. INDIGENT SUPPORT

The Municipality may extend indigent support to any consumer on application to the Municipality in the prescribed manner as set out in the Municipality's Indigent Policy.

CHAPTER 7

PROVISION FOR BAD AND IRRECOVERABLE DEBT

48. PROVISIONS FOR BAD DEBT

- (1) The Municipality must ensure that there is an acceptable and sufficient provision for bad debt in the budget of the Municipality.
- (2) The annual provision for bad debt shall be provided for as follows:
 - (a) 90% of all outstanding debts which are unpaid for a period of 90 (ninety) days or more, based on the estimated age analysis of the financial year end of which the financial statements are drawn up for; and
 - (b) 50% for 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.
- (3) Provision for bad debt is provided for in respect of the following services and amounts debited to customer accounts:
 - (a) rates;
 - (b) sewerage;
 - (c) water;
 - (d) electricity;
 - (e) refuse;
 - (f) basic electricity;
 - (g) basic water; and
 - (h) sundry debtors.
- (4) The Chief Financial Officer must keep record of all provisions in accordance with general recognised accounting practices.

- (5) The Chief Financial Officer must report to the Municipal Manager in a prescribed form and must review and adjust the provisions with the adjustment budget.

49. IRRECOVERABLE BAD DEBT AND WRITE OFFS

- (1) The main purpose of writing off bad debts is to ensure:
- (a) consistency in writing off bad debts;
 - (b) proper authorisation at appropriate levels for write offs;
 - (c) efficient and effective debt collection.
- (2) Bad debts will be written off if the Municipality is satisfied that:
- (a) recovery will cause undue hardship to the debtor or debtor's dependents;
 - (b) recovery is uneconomical or not cost effective;
 - (c) the provisions of all other policies of the Municipality, such as the Indigent Policy have been considered and where applicable applied;
 - (d) any debt collection and credit control measures implemented by the Municipality were exhausted and/or ineffective and/or not cost effective;
 - (e) a full report of all amounts to be written off is to be presented to the Council on a quarterly basis for approval;
 - (f) the write-off's in respect of the arrears of Registered Indigents will be undertaken in terms of the Indigent Policy of the Municipality;
 - (g) in the event of a claim against an insolvent estate, pursuing a claim against the estate bears the risk of a contribution or the prospect that no dividend will be received;
 - (h) a deceased estate has no liquid assets to cover the arrears following the final distribution of the estate or if the estate has not been reported to the Master and there is no reasonable prospect of recovering the arrears from the Estate;

- (i) the arrears have, in law, prescribed and the prescription of the debt has been claimed and relied on by the consumer;
 - (j) the debtor is untraceable or cannot be identified in order to proceed with further action;
 - (k) the debtor has emigrated leaving no assets of value and it is not cost effective to pursue the claim further;
 - (l) it is not possible to quantify or prove the arrears;
 - (m) a court has ruled that the claim is not recoverable;
 - (n) the arrears are due to an irreconcilable administrative error by the Municipality including any alterations not affected timeously in the Municipality's records or the levying of interest in an instance where the capital was not in arrears;
 - (o) such amount constitutes the remainder of arrears on which the Municipality accepted an offer made in full and final settlement of such arrears, which offer is not for the entire amount of the arrears, but which is accepted in writing by the Municipal Manager;
 - (p) arrears may be written off to bad debts where the Municipality:
 - (i) expropriates any property; or
 - (ii) purchases any property; or
 - (iii) undertakes any obligations to develop any property.
- (3) Arrears may be written off as bad debts where a property has been forfeited to the State in terms of the Prevention of Organised Crime Act, Act 121 of 1998; or where the occupants have been evicted from Council, Provincial or State-owned premise;
- (4) Upon approval of successful indigent registration, the applicant's arrear debt will be written off. This will only occur only once per person. Where such a customer exceeds the allocated subsidy and fails to pay, the said customer will be subjected to this policy. Furthermore, should a customer lose his/her status as a Registered Indigent due to his/her financial recovery, such a customer will

immediately be subject to the provisions of this policy should the account again fall into arrears.

- (5) Where an exemption has been granted in terms of the Rates Policy of the Municipality to a ratepayer from the payment of property rates, such ratepayer will with effect from the date of such exemption, have its arrears in respect of its account, if any, written off;
- (6) Should any tampering with or bypassing of any measuring device or meter be discovered, any arrears written-off in terms hereof, will become payable with immediate effect and any other action as per any legislation or policy which applies to such tampering and/or bypassing will be instituted;
- (7) Where a ratepayer's status, entitling it to an exemption in terms of the Rates Policy of the Municipality, changes so that the ratepayer is no longer entitled to an exemption, any arrears written off subsequent to the changing of the status of the ratepayer will be reversed and become due and payable again;
- (8) **Any request for the writing off of arrears for an amount above R1 000.00 (one thousand rand) must be made to the Council. Such a request must be made in writing and must be submitted to Council for approval** together with documentation indicating the applicable account number, the debtors full details, full details of the premises concerned in respect of the arrears, the arrears as well as a motivation for the requested write-off referring to the grounds set out in this policy allowing for a write off in the particular circumstances. The request must be compiled and submitted to Council for approval by way of a resolution as an irrecoverable debt write off. Arrears of less than R1 000.00 (one thousand rand) may be written off by means of a written resolution from the Municipal Manager supported by a written report and recommendation from the Chief Financial Officer and the details regarding the debtor and the arrears referred to above, must be included in the said report and recommendation.

- (9) Notwithstanding the contents of the afore going paragraphs, the Municipality is under no obligation to write-off any particular debt and any approval of a write-off of arrears remains within the sole discretion of the Municipality.
- (10) The Municipality is entitled to reverse any amount it has written-off upon it being discovered that a debtor has mislead (whether intentionally or negligently) the Municipality in terms of any information, documentation or representation made by such debtor in order to receive such write-off, in which event the Municipality is entitled to immediately effect the reversal of any write-off against the account of a debtor.
- (11) The Municipality may write-back any amount previously written-off by it on behalf of a debtor where the account of such debtor, at any time, reflects a credit balance.
- (12) Any write off of any arrears which was in error shall not bind the Municipality and be written back.
- (13) The Municipality shall apply the terms of this policy fairly and consistently and in an open and transparent manner.
- (14) Where a debt has in law prescribed and the consumer claims and relies on the extinguishing of the debt as the result of prescription of the debt, as envisaged in sub-paragraph (2)(i) above, the Municipal Manager has the delegated authority, which must be exercised in consultation with the Chief Financial Officer, to confirm that the debt has in fact prescribed and is accordingly written off. The Municipal Manager must report on all debts which have been written off as a result of the prescription thereof to Council.

CHAPTER 8

GENERAL PROVISIONS

50. RIGHT OF ACCESS OR ENTRY TO PROPERTY AND INSPECTION

- (1) In terms of the provisions of section 101 of the Systems Act and section 41 of the MPRA, the Municipality must be given access to premises by the owner or occupier thereof or the customer or consumer of the municipal services thereon or thereto (cumulatively referred to hereafter as "person in control") at all reasonable hours, or in the event of an emergency at any time, in order to request information, carry out an inspection and examination, to read, inspect, install or repair any measuring device or meter or service connection for reticulation, or to limit, disconnect or terminate the provision of any municipal services, or to value the premises, or to execute any lawful act or conduct any lawful service, or to ensure compliance with any by-law of the Municipality or statute.
- (2) Where, for whatever reason, access to a measuring device or meter or premises is not possible, the Municipality may:
 - (a) by written notice require the person in control to restore access at his/her own expense within a specified period; and
 - (b) where access to such a measuring device or meter or premises is required as a matter of urgency or in an emergency, the Municipality may without prior notice restore access to the measuring device, meter or premises and recover the costs in respect thereof from the person in control.
- (3) A person in control who fails or refuses to provide access to the Municipality will be liable for the costs incurred by the Municipality, to gain access to the measuring device or meter or premises.

- (4) If the Municipality considers it necessary, in order to enable the Municipality to perform any function properly and effectively in terms of this Policy, or any other policy or by-law of the Municipality, it may:
- (a) by written notice require the person in control, at their own expense, to do specified work within a specified period;
 - (b) in the event of an emergency conduct the necessary work without any notice and cause the person in control to reimburse the Municipality for any expenses incurred in the execution of such work.
- (5) If the work referred to above is carried out for the sole purpose of establishing whether a contravention of this policy has been committed and no such contravention has taken place the Municipality shall bear the expense and cost connected therewith.
- (6) Any person representing the Municipality must on request provide his or her identification and allow the consumer to verify the authority of the representative with the Municipality.

51. UNAUTHORISED ACTIVITIES – THEFT, FRAUD AND TAMPERING

- (1) Any person who is illegally connected to municipal services, tampers with measuring devices or meters, the reticulation network or any other equipment of the Municipality for the provision of municipal services, and/or any person who commits any unauthorised activity, theft of, or damage to any infrastructure or equipment of the Municipality (also referred to as an “unauthorised activity”) will be prosecuted and subjected to a credit control fine of R1500.00 per tempered service
- (2) No person shall in any manner, or for any reason whatsoever tamper with, interfere with, vandalise, fix advertising medium to, or deface any measuring device or meter or service connection or service protective device or supply

mains or equipment of the Municipality, or illegally connect into the municipal services of any other consumer or the Municipality.

- (3) The provision of municipal services to any premises, and/or consumer, will be terminated immediately upon the Municipality becoming aware of any unauthorised activity in respect thereof as contemplated in this policy.
- (4) The Municipal Manager must implement a monitoring system in order to identify consumers who commit any unauthorised activity.
- (5) The Municipality reserves the right to institute legal action, including the laying of criminal charges and/or to take any other legal action against any person who commits an unauthorised activity.
- (6) The Municipality may reward any whistle blower who reports unauthorised activity to the Municipality.
- (7) An owner of premises will be held liable and fined for any unauthorised activity committed by an occupier of such premises.
- (8) In the event of any unauthorised activity, the Municipality shall have the right to recover an amount based on estimated consumption as provided for in this policy. The estimated consumption by the Municipality shall be prima facie evidence of the consumption in the event of any unauthorised activity.
- (9) Where a person illegally reconnects the supply of a municipal service which was disconnected by the Municipality in accordance with this policy, then the consumer shall be liable for all charges for such municipal service consumed between the date of disconnection and the date the supply is found to be reconnected and any other charges raised in this regard.

- (10) Notwithstanding any other rights that the Municipality may have in terms of this policy, the Municipality may, in the event of any unauthorised activity, summarily terminate the supply of municipal services and may take any such steps as the Municipality may deem necessary to effect such termination, including, but not limited to the right to remove the measuring device or meter physically from the premises.
- (11) Any contravention of this paragraph, whether intentional or negligent shall be sufficient to constitute an offence and unless the contrary is proved by the consumer, it shall be deemed that the contravention was due to an intentional act or omission of the person charged.

52. CLEARANCE CERTIFICATES

- (1) In terms of the provisions of section 118 of the Systems Act a registrar of deeds may not register the transfer of property situated within the municipal area of the Municipality, except on production to such registrar of a prescribed certificate issued by the Municipality, which certifies that all amounts which became due in connection with such property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the 2 (two) years preceding the date of application for such certificate, have been fully paid.
- (2) if a clearance certificate is requested in terms of section 118 (1) of the Act, and payment is only made for two years preceding the date of application for the certificate, the balance of the debt shall remain as a charge against the property.
- (3) The certificate shall be endorsed with the balance owing as a charge against the property in order to bring the same to the attention of the seller, buyer and conveyance. The onus is on the conveyance to advise his or her clients accordingly.
- (4) The municipality may institute legal proceedings against the seller or purchaser of the property to recover the balance owed.
- (5) The municipality reserves the right to follow any of the legal mechanisms available to it in order to recover the balance of the debt, including, lodging an urgent application to interdict the sale of the property until the debt is

paid in full or an irrecoverable bank guarantee for the full outstanding debt, on date of registration of transfer has been furnished by the conveyance.

(6) Information and contact details of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner (purchaser) for the purposes of billing for rates, services and consolidated accounts until the same has been changed by the purchaser.

(7) In the case of the transfer of immovable property by a trustee of an insolvent estate the provisions of this paragraph are subject to section 89 of the Insolvency Act, Act 24 of 1936.

(8) An amount due for municipal services, fees, surcharges on fees, property rates and other municipal rates, levies and duties provided for in this policy, is a charge upon the property and which amount enjoys preference, over any mortgage bond registered against the property from the date of registration of the transfer of the property into the name of the owner.

(9) If the owner of the property is not the person who has entered into a services agreement with the Municipality for the supply of municipal services to a property, the owner will become liable for the payment of the charges referred to in section 118(1)(b) of the Systems Act relating to the property, once the owner of the property applies for a clearance certificate in terms of section 118 of the System Act.

53. DAMAGE TO MUNICIPAL SERVICE INFRASTRUCTURE

(1) A consumer shall be liable for all and any costs to the Municipality arising from any damage to, or loss of any measuring device or meter or municipal service infrastructure relating to the provision of municipal services to premises, unless such damage is shown to have been occasioned by an Act of God or an act or omission of the Municipality, or caused by an abnormality in the supply of municipal services to the premises.

- (2) In the event of any damage occurring to any measuring device or meter or municipal service infrastructure relating to the provision of municipal services to premises, the consumer shall report and inform the Municipality as soon as the consumer becomes aware of the damage.
- (3) Where it can be reasonably established that there has been intentional tempering of any measuring device or meter or municipal service infrastructure, resulting in the removal of such any measuring device or meter or municipal service infrastructure by the Directorate Technical and Infrastructure, a credit control reconnection fee of ~~R2500.00~~ shall be payable prior to the service being reinstated or reinstalled

54. REPORTING DEFAULTERS

- (1) The Municipality may in its discretion report any person that is indebted to the Municipality, to any company or organisation that collates and retains information regarding defaulters.
- (2) The information to be included in such report shall be the available personal information of the defaulter or in the event that the defaulter is a legal person, the statutory details of the legal entity including information pertaining to the responsible officer of such legal person.

55. PROCUREMENT OF GOODS AND SERVICES AND PAYMENTS IN TERMS OF CONTRACTS

- (1) When submitting a tender for the provision or delivery of goods, each potential tenderer must prove to the satisfaction of the Municipality that all accounts for which the tenderer is liable, have been paid up to date and that all accounts for which each and every director, member, partner or trustees of the tenderer is liable have also been paid up to date.
- (2) The municipality will at its sole discretion check whether all the municipal accounts are up to date, copies of all accounts sent to the tenderer and to each director, member, owner, partner, or trustees must be attached to the tender documents.

- (3) Where a tenderer's place of business or business interests are outside the jurisdiction of the municipality a Revenue Clearance Certificate from the Municipality must be produced.
- (4) Before awarding a tender, the municipal debts of the tenderer and each director, member, owner, partner or trustee of the tenderer must be paid in full.
- (5) Where payments are due to a creditor in respect of goods or services provided to the Municipality or in terms of any contractual arrangement with the municipality may be set off against such payments.
- (6) This policy applies to quotations, public tenders and tenders in terms of section 36 of the Supply chain management policy

56. NOTICE

- (1) Any notice given by the Municipality in terms of this policy, the Credit Control and Debt Collection By-Law, the Tariff Policy and By-Law, the Rates Policy and By-Law, the Water By-Law, the Electricity By-Law or any other legislation shall, unless the contrary is proven by the person/entity to whom the notice was addressed, be regarded as having been served:
 - (a) when it has been delivered to that person personally;
 - (b) when it has been left at that person's place of residence or place of business or employment with a person apparently over the age of 16 (sixteen) years;
 - (c) when it has been posted by pre-paid registered or certified mail to that person's last known residential address or business address and an acknowledgment of the posting thereof from the postal service is obtained;
 - (d) when it has been served on that person's agent or representative in any of the manners provided for in this policy;

- (e) when it has been posted in a conspicuous place on the premises to which the notice relates;
 - (f) when it has been faxed to that persons fax number and a confirmation of the successful sending of the fax is obtained;
 - (g) when it has been emailed to that persons email address and a confirmation of the successful sending of the email is obtained.
- (2) In the case where compliance with a notice is required within a specified number of days, such period shall be deemed to commence on the date of service of the notice.
- (3) When any notice or other document must be authorised or served on the owner, occupier or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, occupier or holder of the property or right in question, and it is not necessary to address that person by name.
- (4) Any legal process is effectively and sufficiently served on the Municipality when it is delivered to the Municipal Manager or a person in attendance at the Municipal Manager's office.
- (5) Any person on whom a notice is served shall, comply with its terms or when a time is specified, comply with the terms of the notice within the specified time.

57. NON LIABILITY OF THE MUNICIPALITY

The Municipality nor any employee, official, person, body, organisation or corporation acting on behalf of the Municipality shall be liable for any loss or damages of whatsoever nature howsoever arising whether, direct or consequential, suffered or sustained by any person as a result of or arising from the provision, limitation, disconnection or termination, interruption or any other abnormality arising from the supply of municipal

services, or any act or omission done by the Municipality or any employee, official, person, body, organisation or corporation acting on behalf of the Municipality.

58. CODE OF ETHICS

- (1) All the officials of the Municipality shall embrace the spirit of Batho Pele and treat all consumers and debtors with dignity and respect at all times.
- (2) Employees of the Municipality shall execute their duties in terms of this policy in an honest and transparent manner whilst protecting the confidentiality of information of consumers and debtors in accordance with the provisions of the Promotion of Access to Information Act, Act 2 of 2000.

59. STAFF AND COUNCILLORS IN ARREARS

- (1) Item 10 of schedule 2 of the Act (Code of Conduct for Municipal Staff Members) states that –
 - a. 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 months; and
 - b. A municipality may deduct outstanding amounts from a staff member's salary after this period ; and
- (2) The municipality shall liaise with the relevant staff on repayment of their arrears
- (3) No special treatment shall be afforded to staff members whose accounts are in arrears
- (4) Any staff member who has breached the code will be dealt with in accordance with disciplinary procedures adopted by the municipality in terms of the Act
- (5) Item 12 A schedule 1 of the Act states that a Councillor may not be in arrears to the municipality for rates and service for a period longer than three months
- (6) The Municipal Manager shall liaise with the Mayor and issue necessary salary deduction where appropriate for the councillors

60. AUTHENTICATION OF DOCUMENTS

Any document requiring authentication by the Municipality shall be sufficiently authenticated if signed by the Municipal Manager, or by a person duly authorised to do so, on behalf of the Municipality, by resolution of the Municipality and shall constitute prime facie proof of the authenticity, existence and contents of the document.

61. PRIMA FACIE EVIDENCE

In legal proceedings by, or on behalf of the Municipality, a certificate reflecting an amount due and owing to the Municipality, the identity of the debtor and any such other details as may be included in such a certificate and which is signed by the Municipal Manager, or by a person duly authorised to do so, on behalf of the Municipality, by resolution of the Municipality, shall subject to the provisions of section 3 of the Law of Evidence Amendment Act, Act 45 of 1988, upon its mere production constitute prima facie evidence of the contents of the certificate.

62. PROVISION OF INFORMATION

A consumer, debtor, owner, occupier or person within the area of supply of the Municipality must provide the Municipality with accurate information requested by the Municipality that is reasonably required by the Municipality for the implementation or enforcement of this policy.

63. AVAILABILITY OF POLICY AND BY-LAWS

- (1) A copy of this policy and the Credit Control & Debt Collection By-Law of the Municipality shall be included in the Municipality's Municipal Code as required by the provisions of section 15 of the Systems Act.
- (2) The Municipality shall take all required legal steps to inform consumers, debtors, owners and occupiers of the content of this policy.
- (3) A copy of this policy and the Credit Control & Debt Collection By-Law of the Municipality shall be available for inspection at the offices of the Municipality at all reasonable times.
- (4) A copy of this policy and the Credit Control & Debt Collection By-Law of the Municipality may be obtained from the Municipality against payment of an amount as determined by the Council.

64. BY-LAW TO GIVE EFFECT TO THIS POLICY

The Municipality shall adopt a by-law known as the Credit Control & Debt Collection By-Law to give effect to the implementation and enforcement of this policy.



RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

PO Box _____ • Rustenburg • Tel: _____ (office hours) • Email: _____ •

• Cashier hours: 07:3045 – 15:30 (Mondays to Fridays) • 08:0007:45 – 12:00 (Saturdays) •

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Hours worked are treated as overtime

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ACCOUNT NO.:															
RECEIPT NO.:															

****Mark if applicable with a "X"**

Type of Application:	Domestic			Commercial / Industrial		Institutional	
Type of Customer:	Individual	CC	Partner	Pty (Ltd)	Lessee	Owner	
Particulars of Applicant							
Name of corporate entity:							
Registration number of corporate entity:							
VAT Registration No.: (if applicable)							
Surname:					Initials:		
ID Number:							
Marital status:	Married	Unmarried	Single	Divorce	Widowed		
If married – in / out of community of property:							
Occupation:							
Tel. No. (Home):				Tel. No. (Work):			
Cellphone No.:				E-mail:			
Details of spouse where married in community of property:							
Surname:					Initials:		
ID Number:							
Occupation:							
Tel. No. (Work):				Cellphone No.:			
E-mail:							
Address of Applicant: (for purposes of statement delivery and physical address for the delivery of notices and documents)							

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RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

Physical Address:			
		Postal Code:	
Postal Address:			
		Postal Code:	
Next of Kin: (family members)			
1.	Name:		Tel. No.:
Physical Address:			
2.	Name:		Tel. No.:
Physical Address:			
Employer's Details:		Name:	
Physical Address:			
Tel. No.:		Period in Service:	
Gross Monthly Income:			
Source of monthly income, if other than salary:			
Credit References: (Please provide at least 2 credit references)			
Name of Company:			
Physical Address:			
Account Number:		Tel. No.:	
Name of Company:			
Physical Address:			
Account Number:		Tel. No.:	
Particulars of Owner (if not Applicant)			
Name of corporate entity:			
Registration number of corporate entity:			
Surname:		Initials:	
ID Number:			

RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

Occupation:					
Tel. No.:		Cellphone No.:			
Physical Address:					
				Postal Code:	
Property to which municipal services must be provided					
Suburb:					
Zone:				Stand No.:	
Street Name:				Street No.:	
Number of persons over the age of 18 years living on the property:					
Type of municipal services to be provided:					
Water Supply Services:	Communal Standpipe:				
	Yard Connection:				
	In-house Connection:				
	Other:				
Sanitation Services:	Night Soil Removal:				
	Water borne sewerage:				
	Other:				
Electricity:	Single:				
	3 Phase electricity:				
	Pre-paid:				
	Other:				
	Temporary supply:				
	Permanent supply:				
Refuse removal Services:					
Date on which provision of services should commence:					
Payment Details:	Deposit Amount Payable:		R		
Method of payment:	Cash	Cheque	EFT	Credit Card	
If applicable: Other methods of payment:					

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RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

Discontinuation of Services				
Address at which service is to be discontinued:				
Discontinue the following:	Electricity	Water	Sewerage	Refuse
At the above address on this date:				
And refund deposit, less any amount owing to:				
With Bank Details:	Bank:		Branch:	
	Account No.:			

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Conditions of Agreement
Certified cCopies of documents to be produced/submitted
1. Identification document must be produced.
2. Proof of property ownership (Deeds information) In case of Tenant: (i) Copy of the Lease Agreement; OR <div style="margin-left: 40px;">(ii) A letter from the owner must be submitted.</div>
3. In case of Close Corporation: (i) Ck2 Document submitted; <div style="margin-left: 100px;">(ii) Resolution submitted.</div>
4. In case of a Company: (i) Company Articles of Incorporation submitted; <div style="margin-left: 100px;">(ii) Resolution submitted.</div>
Definitions
The headings of the paragraphs in this Agreement are for the purpose of convenience and reference only and shall not be used in the interpretation of, nor modify, nor amplify, the terms of this Agreement, nor any paragraph thereof.
“Customer” means the person indicated as “applicant” on the form page of this Agreement, irrespective of whether he/she/it or someone else actually consumed or use the service or not.
“Domicilium” means the chosen address where notices must be delivered.
“Municipality” means the Rustenburg Local Municipality.
All other words shall bear the normal meaning of such word.

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RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

Authorisation
I guarantee that I am duly authorised by the Applicant to apply for the supply of this/these services and to sign the application form and this agreement. I hereby admit that I am liable, and hold myself bound to for the due and proper payment of any amounts due to the Municipality and which arises as a result of the supply and provision of the municipal services by the Municipality and the payment of the fees, charges and tariffs levied by the Municipality in relation to the said municipal services or the availability thereof, should it be found that I signed this agreement without proper authorisation.
Conditions for the supply and provision of municipal services
<ol style="list-style-type: none">1. The supply and provision of and payment for the municipal service(s), fees, charges and tariffs levied by the Municipality shall be subject to and in accordance with the laws of SA, the By-laws of the Municipality and the Policies adopted from time to time by the Municipality, and which specifically govern or stand in relationship to the provision of the services.2. I acknowledge that I/we have read and understand the contents of the relevant By-laws and Policies, which were available to me. The contents of the Credit Control and Debt Collection Policy and By-Law, the Tariff Policy and Tariff By-Law, the Rates Policy and Rates By-Law, Water Services By-Law and Electricity By-Law of the Municipality are herewith incorporated into this agreement by reference and the terms and conditions contained therein shall apply to the legal relationship between me and the Municipality.
<u>Jurisdiction</u> Without prejudice to the rights of the Municipality, at its option, to institute proceedings in any other court having jurisdiction, the Municipality and the Customer hereby consent in terms of section 45 of the Magistrate Court Act, Act 32 of 1944, to the Municipality taking legal action for the enforcement of any rights under or arising from this agreement in a Magistrate Court, which has jurisdiction in respect of the Customer, in terms of section 28(1) of the Magistrates Court Act, notwithstanding the above will the parties have the right to approach the Supreme Court.
<u>Payment for services</u> The Customer shall be liable for the payment of all and any municipal services consumed by the customer and/or delivered, supplied or rendered to the premises referred to in this agreement as well as the relevant and applicable fees, charges and tariffs levied by the Municipality regarding such services, before or on the date indicated on the monthly statement. The Customer is also liable for the costs of debt collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees, if applicable.

RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

The Customer agrees that the non-receipt of a statement does not exempt the Customer from the duty to enquire from the Municipality the outstanding debt on the account and to make payment to the Municipality of the debt.

Direct payments

Direct payments for electronic payments can be made into the bank account of the Rustenburg Local Municipality: _____ Bank

Branch: _____

Account No.: _____

Branch Code: _____

In order to allow for the Municipality to process electronic payments, the Customer must state the municipal account number as reference with the deposit, and four (4) official business days must be allowed for processing.

Waiver

The Customer hereby expressly renounces the benefits of the non reason or profound cause of the existence of the debt, the cases where there is a element of bookkeeping or accounting calculation is involved, the revision of accounts, no value recorded and, if there is more than one debtor, the debtor is jointly or separately liable for the debt or the creditor obtains the right to first act against the guarantor before the main debtor is excused.

Domicilium

The Customer chooses as the address where notices must be delivered, the address indicated as street address on the front page of this agreement.

Change of address and/or information

The Customer expressly undertake to inform the Municipality within 3 (three) days after such occurrence:

1. or any change of any address indicated on the front page of this agreement;
2. of the change of any particulars or personal circumstances indicated on the front page of this agreement.

RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

Discontinuation of service

The Customer specifically agrees to inform the Municipality immediately in writing when the service is no longer required and specifically accept responsibility for the payment of services consumed as a result of any failure to inform the Council that the service is no longer required.

Indemnity

I hereby indemnify and hold harmless the Municipality or any employee, official, person, body, organisation or corporation acting on behalf of the Municipality from any liability of whatsoever nature for any loss or damages of whatsoever nature howsoever arising whether, direct or consequential, suffered or sustained, as a result of or arising from the provision, limitation, disconnection or termination, interruption or any other abnormality arising from the supply of municipal services, or any act or omission done by the Municipality or any employee, official, person, body, organisation or corporation acting on behalf of the Municipality.

Deposit

A deposit shall be forfeited to the Municipality if it has not been claimed within ~~three years twelve (12) months of~~ the termination of the service agreement.

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I hereby confirm that I have read, know and understand the contents of this agreement and agree to be bound thereby.

APPLICANT

MUNICIPALITY

DATE

DATE

SIGNATURE OF OWNER
(if not Applicant)

DATE

RUSTENBURG LOCAL MUNICIPALITY
SCHEDULE 1: APPLICATION FOR MUNICIPAL SERVICES

FOR OFFICE USE ONLY			
Deposit paid:	Date:		
	Amount:		
	Receipt No.:		
Account Number:			
Commencement of date of service:			
Area Code:			
Meter reading on commencement of services:	Electricity:		
	Water:		



**RUSTENBURG LOCAL MUNICIPALITY
ELECTRICAL ENGINEERING CONTRIBUTIONS POLICY**

2019

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GLOSSARY OF TERMS AND ABBREVIATIONS

For a glossary of terms and abbreviations, refer to the Definitions section of the Policy

RUSTENBURG LOCAL MUNICIPALITY

ELECTRICAL ENGINEERING CONTRIBUTIONS POLICY

1. INTRODUCTION

1.1 The case for Engineering Contributions

The expansion through of development of a Municipality's area of jurisdiction results in an increasing number of applications for new connections, subdivision of land, application for rezoning and increased services requirements of existing customers.

Granting the rights to proceed with such developments causes a heavy burden on existing municipal service infrastructure and necessitates upgrading and/or extension of the infrastructure at enormous cost, if not immediately, then at a later stage.

It is accepted to be fair and equitable, that a developer who establishes new properties or applies for the subdivision of land, or for particular departures in utilization rights, should be obliged to make a financial contribution (henceforth referred to as an engineering contribution) for the upgrading and/or extension of existing or future engineering infrastructure.

Engineering Contributions (or sometimes referred to as Bulk Supply Contributions) deal with the recovery of capital for electrical infrastructure development to service these developments and future customers in a sustainable way.

The key to the successful implementation of this policy lies in the establishment of the optimum differentiation where developers must contribute capital for electricity infrastructure that will be recovered from property sale prices.

It is also important to ensure that double recovery of capital does not take place through ensuring that the consumption tariffs only deal with servicing the cost of capital portion of loan accounts where loans were used to facilitate capital expansion, and that the Engineering Contributions are utilized towards the capital requirements for network expansion (i.e. the capital portion of loan accounts).

1.2 Some key considerations

Existing customers and rate payers should only subsidise via the capital component in their electricity consumption tariffs for infrastructure spare capacity to ensure an acceptable level and quality of service and attract new developments.

It is extremely important to clearly define the level of services provided as this will lead to disagreements when developers or customers (at a later stage) have to pay additional engineering contributions when the service required is more than what was originally provided.

Pro-rata recovery of engineering contributions will make provision to upgrade and extend existing services to cater for the new developments but will not address the backlog problems created as a result of no or under-recovery in the past.

When developed land is sold without recovering the full extent of engineering contributions, either the Municipality or the new owner will have to pay the cost for servicing the property.

1.3 **Aim of Policy**

The aim of this document therefore is to establish a uniform approach to establish in which cases and to what extent engineering contributions will be levied by the municipality.

This policy recommends a methodology and application guidelines that are fair, reasonably easy to understand and practical and further determines the detail cost of the electricity engineering contributions.

2. DEFINITIONS

The following meanings apply in this policy document, unless indicated otherwise by the context:

2.1 **GENERAL**

- a) *applicant* - customer and developer have the same meaning
- b) *town* - city and municipality have the same meaning
- c) *infrastructure* - with regard to municipal services – all external bulk services, link services as well as internal services and networks;
- d) *services* and infrastructure have the same meaning
- e) *municipality* – Rustenburg Local Municipality
- f) *residential unit* - has the same as the meaning attached to it in the Provincial Regulations promulgated

2.2 **CAPACITY**

- a) *Network Capacity* is the maximum technical limit of load that can be delivered by a particular network before equipment life would be abnormally reduced.
- b) *Standard Network Capacity* is the maximum capacity that would economically be allowed on a particular network before system reinforcement is required.
- c) *Utilised Capacity* is the maximum capacity used by the customer at the specific location of the customer. This would normally refer to the registered half hourly integrated kVA.
- d) *Additional Capacity* refers to the additional amount of service required by increasing the notified maximum demand (NMD).
- e) *Spare Network Capacity* is the difference between the network capacity and the diversified sum of the connected NMD.
- f) *Authorised Capacity* refers to the demand calculated by applying the after diversity maximum demand (ADMD) at a point in the network that has been provided and paid for by the development. This will be the ADMD according to the zoning but could be higher as per contractual agreement.
- g) *Zone Capacity* refer to the capacity associated with a development based on the type of development in the area and the average coverage (floor area ratio = FAR).

2.3 **ENGINEERING CONTRIBUTION**

- a) *Engineering contribution* is the engineering service costs incurred through a once-off capital expenditure on plant, equipment and other productive resources to increase network capacity. This is the pro-rata cost to be paid by a developer to connect a new development or to provide for additional requirement for services. This cost is based on the nett present replacement value of the network being or to be shared by more than one customer. (also called: Engineering Charges, Developer Contributions, Bulk Contributions.)
- b) *Capital allowance* is the contribution to network engineering service costs that are contained in the consumption tariffs - i.e. average engineering service costs recovered over time through the tariffs.
- c) *Connection fees* are the up-front payment payable by the customer towards the cost of a standard new connection.
- d) *Network charges* are part of the consumption tariffs that are unbundled to reflect the costs associated with networks and are usually based on the required capacity of the supply.

2.4 **COSTS**

- a) *Network upstream costs* refer to costs that will be incurred closer to the source of electricity supply from the actual point where supply is / will be required.
- b) *Cost sharing* refers to cases where costs are pooled and shared between the developers utilizing the network.
- c) *Replacement value* refers to the value of installing and commissioning new equipment or networks to the required standard and in the year in which contribution calculations are done.

2.5 **DEVELOPMENT**

- a) *Developers* are the entities who undertake the required activities of developing a particular area and this could also include the township establishment, Special / Written / Temporary Consent, Change of land use, Rezoning or Subdivision of land. This includes private persons or government at any level.
- b) *Developments* are activities where the requirement or utilization of engineering services is changed and can include only one or various facets of the area.
- c) *External services* refer to the networks that fall outside of the boundaries of a particular development but are required to service a particular development.
- d) *Internal services* are networks that fall within the boundaries of the development and are specifically required to provide the required capacity to each stand in the development. It excludes service connections.
- e) *Leapfrog Developments* are developments that are remote from the existing or available networks of the utility and beyond any short-term expansions of the services. No development inside a development objective area can be regarded as a leapfrog development.
- f) *Subdivisions* refer to situations where a particular piece of land is subdivided, thus requiring one or more additional utility service connection/s to be made to the development. These are considered a development like any others in terms of determining engineering services contributions.

2.6 **ELECTRICITY USAGE**

- a) *Diversity* refers to the ratio of the sum of the non-simultaneous maximum demands of various points of supply divided by the simultaneous maximum demand in time at a common point in the network. The closer to the source of supply the higher the diversity will be. (also referred to as After Diversity Maximum Demand (ADMD))
- b) *Registered Maximum Demand* is the highest averaged demand, during any integrating period within a designated billing period (usually one month).

- c) *Notified Maximum Demand (NMD)* is the contracted maximum demand notified in writing by the customer and accepted by the utility to supply.
- d) *After Diversity Maximum Demand (ADMD)* is the maximum demand for a homogenous load class (i.e. a similar group of consumers) divided by the number of consumers in the group (kVA / residential unit). ADMD can also be determined by using the maximum demand divided by the total floor area (kVA/m²). In some cases, property area is used.

2.7 **NETWORKS**

- a) *Distribution Networks* refer to the service network of the utility. This includes all assets required to transfer the service from the in-feed point to the distributor and include service connections.
- b) HV (high voltage) networks are the lines, cable, switches, protection and associated equipment at voltages from 44kV to 132kV.
- c) *HV to MV transformation networks* refers to transformation networks between Distribution and Reticulation voltages which includes all substation equipment.
- d) *MV (medium voltage) networks* are the lines, cables, switches, protection and all other associated equipment at voltages from 1 000V to 33kV.
- e) *MV to LV transformation networks* are the transformation equipment between Reticulation and LV voltages which includes all substation equipment.
- f) *LV (low voltage) networks* are the lines, cables, switches, protection and all other associated equipment at voltages below 1 000V.
- g) *Metering* includes all equipment associated to measure and calculate the quantities of services used including: VT's and CT's, meters, modems, metering kiosks, seals, tamper protection, internal wiring, etc.
- h) *Network strengthening / upgrading / augmentation* is the engineering service expenditure required to increase the capacity of the network to be able to meet increased demand or capacity required on the network.
- i) *Network refurbishment* refers to major engineering service expenditure required to existing network equipment after the end of its technical life necessary to extend the life of the asset to an age similar to when it is new. It excludes costs to increase the capacity of the network.
- j) *Point of supply (POS)* is a physical point on the network, where service is supplied to a customer or where the customer's installation connects to the utility network.
- k) *Point of delivery (POD)* is the grouping of one or more POS at the same substation, for one customer, at the same voltage and same tariff.

- l) *Rural network* are all networks not considered under the term urban.
- m) *Urban networks* - supply to an applicant or customer that will be considered to be urban when:
 - 1) It is a proclaimed township or within a proclaimed township as determined by the Council,
 - 2) The number of connections within a 1km radius of the particular point of supply exceeds 314. **NOTE:** All connections within the particular development will qualify.
 - 3) The number of current and newly applied connections per kilometre of MV line exceeds 44 and / or there are at least 40 connections in one development.

2.8 **REFUNDS AND SURPLUS CHARGES**

- a) *Refund* of engineering contributions refer to amounts repaid to developers where they have previously paid full incremental cost for engineering service contributions which are later utilised by other customers.
- b) *Surplus capacity* provided due to technical standards that may be shared in the near future will not be allocated as a contribution cost to the developer. The cost of surplus capacity provided due to technical requirements that will unlikely be shared in future (for example, the provision of a 20 MVA transformer to meet a 15 MVA load requirement), will not be pro-rated.
- c) Assets that are later shared will result in a refund/reduction to the initial contributor only based on capacity. Adequate records must be kept by the Municipality.

2.9 **SUPPLIES**

- a) *Firm supply* refers to a design standard that will ensure single contingency in security of supply. (Referred to N-1)
- b) *Premium supplies* refer to supplies that have features that exceed the standard set for the particular utility on a specific network.
- c) *Dedicated supply* refers to a network or a portion of network that is considered dedicated according to the best judgement at the time to the supply of a specific consumer and it is unlikely that it will be shared by another supply within a reasonable foreseeable period of 5 years.
- d) *Engineering contribution subsidies* refer to situations where the required engineering services contribution, is funded by another party other than the one to whom it is due.

3. ABBREVIATIONS

The following abbreviations are used in this document:

AMD	Authorized maximum demand for a particular development.
ADMD	After diversity maximum demand
FAR	Floor area ratio
HV	High voltage
kV	Kilo-volt
kVA	Kilo-volt ampere
kWh	Kilowatt hour
LV	Low voltage
MV	Medium voltage
NRS 069	National Rationalized User Specification: Code of practice for the recovery of capital costs for distribution network assets
NMD	Notified maximum demand
NERSA	National Energy Regulator of SA
NPRV	Nett present replacement value
VAT	Value added tax

4. LEGISLATION

4.1.1 Constitution

In terms of section 151(3) of the Constitution of the Republic of South Africa, 1996, municipalities have the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution.

In terms of section 156(1)(a) of the Constitution of the Republic of South Africa, 1996, municipalities have the right to administer certain local government matters listed in Part B of Schedule 4 of the Constitution. Among these is “electricity and gas reticulation”.

The Constitution further makes provision for three categories of municipalities. The distinction between these categories is important in that it creates the basis for differentiated powers and functions between category B and C municipalities and for the possibility that this division of powers and functions may differ. In other words, the respective allocation of powers and functions does not have to be the same in all situations where category B and C municipalities

interact and may take into account the particular patterns of capacity / revenue and other local circumstances. The aim of this flexibility is to ensure that municipal services are provided in an equitable and sustainable manner, in terms of section 155(4).

4.1.2 **Municipal Structures Act**

The above-mentioned right to provide services is further provided for by the Local Government: Municipal Structures Act 117 of 1998, section 85(1) for the MEC to adjust the division of functions and powers between a district and a local municipality as set out in section 84(1), which refers to the distribution of electricity.

Section 74(1) of the Municipal Systems Act 32 of 2000 further provides that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided. Section 74(2)(b) specifically requires that the policy reflects the amount users pay for services should generally be in proportion to their use of that service.

4.1.3 **Electricity Regulation Act**

The municipality's distribution right is subject to and regulated in terms of Section 7(1) of the Electricity Regulation Act 4 of 2006 provides that: *"No person may, without a license issued by the Regulator in accordance with this Act-*

- (a) operate any generation, transmission or distribution facility;*
- (b) import or export any electricity; or*
- (c) be involved in trading."*

4.1.4 **Town Planning Ordinance**

The provisions of the Town Planning Ordinance are tabled below for the sake of completeness and historic importance.

In terms of section 48(1)(a) of the Town Planning and Township Ordinance 15 of 1986, contributions in respect of engineering services may (at the discretion of the local authority) be payable where an approved amendment scheme came into operation.

Section 121 of the Ordinance further stipulates that: "The applicant shall pay to the local authority concerned as a contribution concerned as a contribution towards the cost incurred by such local authority to install and provide the external engineering services or caused such services to be installed and provided-

- (a) an amount of money determined by agreement between the applicant and such local authority".*

4.1.5 **Spatial Planning and Land Use Management Act**

Section 49(4) of the Spatial Planning and Land use Management Act (SPLUMA), Act 16 of 2013, that replaced the Development Facilitation Act (Act 67 of 1995), makes provision for

contributions and stipulates that: *"An applicant may, in agreement with the municipality or service provider, install any external engineering service instead of payment of the applicable development charges, and the fair and reasonable cost of such external services may be set off against development charges payable."*

Section 49(5) further states that, where a developer is installing external engineering services in lieu of contributions payable, *"the provision of the Local government: Municipal Management Finance Management Act, 2003 (Act No. 56 of 2003), pertaining to procurement and the appointment of contractors on behalf of the municipality does not apply"*.

4.1.6 Distribution Tariff Code

Distribution Tariff Code - Version 6 - 2014 forms part of the distribution license conditions issued by NERSA [2].

Section 4.2.1(12) states that *"Connection charges will recover that portion of the full cost of dedicated assets and the approved standard scheduled capital contribution to shared upstream assets, not recovered by the tariff. The allocation of costs for connection charges is as per NRS 069."*

Section 11(1) states that the connection charge *"... is payable in addition to the tariff charges and is payable on all dedicated costs plus a fair contribution to capacity on upstream networks"*.

Section 11(3) states that *"the methodology used to calculate connection charges must be approved by NERSA, in line with NRS 069"*. Connection Charges in the Distribution Code refers to Engineering Contributions (for shared upstream infrastructure) as well as dedicated costs.

Section 11.1(10)(f) states that *"In addition to dedicated costs the customers shall be allocated a standard R/kVA contribution based on replacement costs, for shared upstream costs, whether new upstream investment is required or not"*.

4.1.7 NRS 069

NRS 069 [1] defines a methodology to be used when calculating Engineering Contributions. Since NRS 069 is referred to by the Distribution Code, and the Distribution Code forms part of the License conditions Rustenburg Local Municipality must comply with, it becomes not only a guideline any more but an authoritative document.

5. RESPONSIBILITIES OF THE DEVELOPER

The provision of all internal engineering services and infrastructure within the boundary of the development are the responsibility of the developer.

Some exceptions may however occur where the specification of equipment is dictated by the municipality to be higher than that required by the development to cater for future developments or upgrading of existing infrastructure. The developer and the municipality should then enter into a services agreement or the additional requirements are to be funded by the municipality.

6. RESPONSIBILITIES OF THE MUNICIPALITY

In terms of the Distribution Network Code, the Distributor is required to invest by considering best practice technical alternatives and based on a least life-cycle cost approach. Least life cycle cost is the discounted least cost option over the lifetime of the equipment, taking into account the technical alternatives for investment, operating expenses and maintenance. Calculations to justify investment shall assume a typical project life expectancy of 25 years, except where otherwise dictated by plant life or project life expectancy.

The Distribution Tariff Code requires the Distributor to implement a methodology used to calculate connection charges approved by NERSA and being in line with NRS 069. The developer pays for all dedicated equipment and in addition be allocated a standard R/kVA contribution based on replacement costs for shared upstream costs, whether new upstream investment is required or not.

Contributions must be utilized to install the required infrastructure requested for, pay outstanding loans of the electrical service or to be preserved into a dedicated fund that is ring fenced for the specific service.

Adjacent distributors should coordinate and share contributions according to all infrastructure requirements (where applicable).

7. TYPES OF DEVELOPMENTS

Developments can primarily be categorized as follows:

- Township development / Extension of boundaries of townships
- Rezoning / change of land-use right / Special or Temporary Consent approved by the Local Municipality
- Subdivision of a property
- Increased services requirements that exceed the original limits of services designed or currently provided.

Although rural networks are significantly different, the principles and methodology of calculation are similar with the difference that infrastructure for urban areas is more capital intensive with a higher degree of supply reliability.

8. BASIC PRINCIPLES FOR CALCULATION OF ENGINEERING CONTRIBUTIONS

The following points form the basis of the electricity engineering contribution policy and guidelines:

- a) A consistent approach should be applicable throughout the municipal area;
- b) The approach should be in harmony with sound practices employed within South Africa and internationally;
- c) The approach should be consistent within different utilization and zoning categories;
- d) Contributions for each service should be financially ring-fenced;
- e) Contributions should be targeted at developers to service properties to the full capacity according to the new zoning;
- f) Contributions should be charged to customers when they exceed the designed capacity contributed by the developer or that associated with the zoning;
- g) Capital and interest redemption through tariffs should be minimized;
- h) Assets financed by engineering contributions remain the property of the distributor;
- i) Assets financed by engineering contributions may be used for other customers;
- j) The principle of contestability of dedicated networks and funded by customers is supported;
- k) Recognition must be given in the longer-term to society benefits from most network extensions because they allow the utility to gradually extend and expand its distribution system to the benefit of all;
- l) The standard must be transparent in the way it is set out and applied;
- m) The approach should be relatively easy to implement and practical; and
- n) The approach should be developed in consultation with representatives from all technical services.
- o) Engineering contributions are calculated by the Electrical Engineering Department.

The calculation of engineering contributions must be based on the fundamental principle that customers or subsequent customers should not benefit from a new development at the cost of the developer, or that the developer should not benefit at the cost of customers.

The aim of the policy is to institute a uniform basis for the calculation of engineering contributions in the Municipality's area of jurisdiction as a whole. Calculation of engineering contributions is based on specific applications and guidelines as set out in the documentation for the various services.

The capital component for engineering infrastructure in the consumption tariffs should be limited to spare capacity. It is the municipalities' responsibility to ensure the level of spare capacity is limited as this places risk and an unfair burden onto customers via electricity inflated tariffs.

Developers in the case of Leap-Frog developments, who have funded bulk infrastructure networks in full, should receive a refund of the pro-rata contribution once other developments pay engineering contributions for sharing of that infrastructure. Refunding of contributions should be avoided where possible and be limited to a set a window period of 5 years as proposed by NRS 069.

Where developments are sharing bulk or link infrastructure, it should be done on a pro-rata basis and based on infrastructure cost and capacity.

The present property zoning and FAR or the existing rights, whichever is the greater, will be used as the basis to calculate the level of services to be credited.

9. ASSUMPTIONS

In developing and applying the policy, it is important to understand the situations and circumstances where the policy is intended to be applied. Minor adjustments based on the above principles will have to be made where applicable.

The following was assumed to form a consistent basis for the policy:

- a) Consumption tariffs will contain various components which must cover:
 - i. Operational and maintenance costs.
 - ii. Capital cost of refurbishing networks at some time in the future when networks have reached the end of its technical and economic life. (Applicable to minimum required services).
 - iii. Outstanding loans for spare capacity within the electricity infrastructure networks.
- b) Contributions will be based on R/kVA for electricity services applicable at the pre-determined point of supply within the network.
- c) Contributions are set by the required capacity, which are based on the full rights attainable on the property or notified demand requirements stated by the developer, whichever are the higher.
- d) The engineering contributions are to be the same, irrespective of the service provider or customer, provided it is connected to and supplied through the municipal infrastructure networks.
- e) Contributions only include municipal owned infrastructure.
- f) Contributions are payable only for pro-rata shared infrastructure.

Connection costs are payable for all dedicated equipment. This also includes link or connection services, where applicable.

10. METHODOLOGY AND CALCULATION OF ELECTRICITY ENGINEERING CONTRIBUTION FEES

10.1 General

The methodology to be followed is the most important and critical part of the policy. It describes how contributions are made up and how the calculations should be done in respect of engineering contributions. It also addresses refunding of excess contribution payments where required.

This section also describes how the fees will be established for electricity contributions.

Where a step change in the electricity supply from ESKOM is required due to the additional load imposed by a new development, the developer will be required to fund the full pro-rata increased demand cost as part of the connection costs.

The Nett Present Replacement Values (NPRV) of each of the segments of the network is determined as follows:

- a) HV network values are based on the actual or network quantities of existing equipment and immediate future expansion to complete the primary networks in terms of the master plan.
- b) Calculations for the main substations and downstream networks are based on a generic network model, using the standards adopted by the municipality.
- c) The municipal HV & MV supply network is segmented into the various voltage and functional equipment, where the POD's from Eskom is at 88, 33 or 11kV level:
 - i. Main 88/33/11kV substation which includes 88kV main busbars, two 88kV bays, bus-section complete with switchgear, two 40MVA 88/33kV transformers and two 20 MVA 88/11kV Transformer, control panels, 33kV and 11kV switchgear;
 - ii. 33/11kV substations which includes 33kV and 11kV switchgear, and two 20 MVA transformers;
 - iii. Medium voltage 800mm² Al XLPE 1-core XLPE inter-connection cables operating at 33kV;
 - iv. Medium Voltage 300mm² Al 3-core XLPE inter-connection cables operating at 11kV.
- d) 11kV Switching substation which includes 11kV switchgear complete with yard stone and fence.
- e) Medium Voltage 120mm² Al unarmoured XLPE ring cables operating at 11kV. On average 300m MV cable per minisub is installed;
- f) 500kVA miniature substation, complete with plinth, earth mat and MV cable terminations;
- g) 100m low voltage 120mm² Al radial cable complete with 9-way distribution kiosks operating at 400V.

The nominal service capacity of each of the segments of the network is determined, based on standard ADMD's and the diversity at each voltage level.

10.2 **ADMD**

The following ADMD's at secondary transformer level will apply:

Table 1: Guideline ADMD values

Description	ADMD
Residential	As per NRS 069 and NRS 034 for the applicable consumption class

Description	ADMD
Hotel, Guest House or equivalent	80 VA/m ²
Business, Office or equivalent	80 VA/m ²
Light Industrial, Garage or equivalent	40 VA/m ²
Educational or equivalent	20 VA/m ²
Devotional, agricultural, nursery, scrap yard or equivalent	20 VA/m ²

Notes:

- a. The m² above refer to the larger of the FAR multiplied with the stand size or the coverage i.r.o. the property zoning.
- b. The ADMD values above are at secondary transformation level. Diversity factors are applied in the rate calculation to account for increased diversity between loads at higher transformation and voltage levels.
- c. Heavy industry is treated on its application for a connection.
- d. The ADMD's are at load class peak, and not at system peak. For mixed-used developments, diversity must be applied between loads by calculating a composite load profile. The demand applicable in mixed-use developments for the purposes of the calculation of engineering contributions is the resulting maximum demand once the composite load profile has been determined (i.e. the expected NMD).
- e. The ADMD for residential developments to be used is the capacity obtained after using the a, b and c parameters of the Herman-Beta method through the capacity formula tabled in NRS 034.
- f. A developer's consulting engineer may request a higher demand than calculated through ADMD.
- g. Where a lower demand is requested than calculated using the ADMD, a servitude of restraint of capacity must be registered over the property.

Gross floor area is used and is determined by multiplying the total stand area with the applicable FAR stipulated in the Town Planning Scheme.

Initial contribution will be based on the highest of the NMD on the application or the capacity as determined using the ADMD for the development or the relevant consumption classes.

The R/kVA engineering contribution fees of each segment are calculated by dividing replacement cost by the system capacity.

In order to apply the correct applicable fee, the point where the development will be connected to the municipal network must be determined to only include upstream shared equipment.

Should the customer require a prime supply, the additional costs to provide this will form part of the connection costs.

For a mixed-use development, the total capacity shall be determined by applying diversity between different load classes.

The formulae for the calculation of maximum demand are as follows:

Table 2: Maximum demand formulae

Category	Formula
Residential. This includes Residential 1 and Residential 2 Use Zones as per the RLM Town Planning Scheme.	$MD = 0.23 \times n \times \frac{c}{a+b} \left[a + 1.28 \sqrt{\frac{a \times b}{n(a+b+1)}} \right] \quad (\text{Eq.1})$ <p>(Capacity formula as per NRS 034)</p> <p>Where:</p> <p>MD = Maximum demand in kVA n = Number of consumers on heaviest loaded phase (see note in NRS 034) a, b, c = Beta probability curve parameters</p> <p>ADMD is given by</p> $ADMD = c \frac{a}{a+b} \times \frac{230}{1000} \quad (\text{Eq.2})$ <p>in kVA per residential unit</p> <p>Values for a, b, c for standard ADMD values can be obtained in NRS 034. For any other ADMD value, it must be calculated using the formulae given in NRS 034.</p>

Category	Formula
Non-domestic and non-industrial loads not catered for elsewhere in this table, including Governmental, Offices, Retail and other Business related loads	$MD \text{ (in kVA)} = ADMD \text{ (in kVA/m}^2\text{)} \times FAR \times \text{Stand area (in m}^2\text{)}$ <p style="text-align: right;">(Eq.3)</p> <p>ADMD is selected from Table 1.</p> <p>This is applicable to any zoning where an FAR is specified that falls within the Business 1, Business 2, Special, Institutional, Municipal, Government, Transportation, Conservation, Recreational, Institutional and Public Open Space Use Zones as defined in the RLM Town Planning Scheme. Agricultural and High Potential/Unique Agricultural Use Zones with special consent for facilities which falls within any of the abovementioned Use Zones will be treated according to the formula in this category.</p>
Light Industrial	$MD \text{ (in kVA)} = ADMD \text{ (in kVA/m}^2\text{)} \times \text{Stand area (in m}^2\text{)}$ <p style="text-align: right;">(Eq.4)</p> <p>This is applicable to Industrial 1 and Industrial 2 uses, but exclude Noxious land use.</p>
Agricultural, Heavy Industry, including Mining and Quarrying	As determined by the developer or the developer's consulting engineer (Professional Engineer). This is usually process dependent and includes Noxious land use.
Special loads	e.g. Storage garages, Cemeteries, Churches etc.: the higher of 13.8 kVA (60 A single phase at 230 V), or the demand calculated by the developer's consulting engineer.
Mixed use	Any combination of the above, with diversity factors applied or composite load curves summated to determine the annual maximum demand of the saturated development (i.e for the full development when all properties have been developed).

11. DETERMINATION OF ELECTRICITY ENGINEERING CONTRIBUTION FEES

This section describes in steps how the Electricity Contribution fees are determined according to the modelled network configuration and adopted standards.

- a) The electricity supply networks are modelled to allow for standard equipment types and capacity and separated into logical components.
- b) Each component is allocated the minimum of its own capacity / rating or the associated upstream or downstream component's capacity / rating.
- c) Each component cost is allocated at the replacement values that include professional fees, installation and commissioning.
- d) Provision for a base date and industry related escalation is built into the model.
- e) Provision for a pre-determined portion for the respective equipment is subject to rate of exchange.
- f) The cost per kVA is calculated taking all the above-mentioned into consideration.
- g) Select a typical generic connections type at the applicable voltage levels at a differentiation of the point where the connection will be done.
- h) Each generic connection is allocated all the respective components required to make the supply available with a diversity differentiation at all the voltage levels.

12. CALCULATION OF ENGINEERING SERVICES CONTRIBUTIONS

This section describes in steps how the Electricity Contribution fees are determined according to the modelled network configuration and adopted standards.

- a) Only shared infrastructure is used to calculate contributions on a pro-rata basis.
- b) Establish the point in the network where infrastructure will be shared with other developments.
- c) Determine the incremental capacity to be charged for as follows:
 - i. The highest of the demand required by a development or the calculated nominal capacity based on the approved zoning.
 - ii. Only increased capacity will be applicable for any rezoning and full credit (in kVA) must be given for previous zoning rights.
- d) Determine the optimum means to service the development for the medium and long term, taking cognisance to mitigate risk, avoid unutilised capacity and duplication of infrastructure.
- e) Multiply the incremental capacity with the relevant engineering service contribution fee to determine the contribution payable.

13. SPECIAL CASES

13.1 Leapfrog developments:

Developments located remotely from the promulgated developed area or existing networks are classified as leapfrog developments.

The developer is normally responsible for all costs with regard to the provision or extension of services required by the development, without any contribution from the municipality.

The municipality may decide to specify larger equipment than what is required by the development due to the fault levels or in order to make provision for future developments.

In cases mentioned above, the municipality may only cost for the minimum standard equipment used by the municipality to meet the system and load requirements of the development.

14. REFUNDING OF ENGINEERING CONTRIBUTIONS

This section describes how developers should be refunded where they have funded the full incremental costs for services and sharing takes place at a future date.

- a) Only the difference between the engineering contribution payable and the equivalent contribution for the development should be refunded.
- b) Refunding should only be applicable for a window period of up to 5 years after the initial connection or as per agreement between the municipality and the developer in the case of a leapfrog type development.
- c) Refunding must be based on proportionate capacity sharing of only shared infrastructure.
- d) Refunding will be based on replacement values and the approved fees applicable at that time.
- e) Refunding will be done on a pro-rata basis being based on the portion of additional service required of the capacity previously financed by private developments.
- f) No refunding will be considered for initial overstating of service requirements.

15. LONG TERM LOAN AGREEMENTS WITH DEVELOPERS

This section covers the implications of the municipality entering into a loan agreement with a developer for the provision of shared infrastructure and the implications of the MFMA.

- a) A debt agreement can be entered into with a developer who provides additional capital expenditure on behalf of the municipality in accordance with section 46(1).
- b) The loan or debt agreement must be approved by a Council Resolution and signed by the Mayor in accordance with section 46(2).
- c) A long-term debt taken up by a municipality is subject to the specific process stipulated in section 46(3).
- d) The long-term debt may not be subject to rate of exchange of the Rand against any foreign currency.
- e) The municipality may provide security to such a developer in terms of section 48(1)c.

16. IMPLEMENTATION ISSUES

This section stipulates who should make payments, by what means and when.

- a) Engineering contributions due by the developer should be a condition for granting development / subdivision / rezoning approval.
- b) Engineering contributions should be calculated and charged as soon as possible in the application process.
- c) Payments should in all cases be made as follows:
 - i. Township establishment, extension of boundaries of a township & rezoning: Prior to proclamation approval of the town / extension of boundaries / amendment scheme.
 - ii. Special Written or Temporary Consent of Council: Within a period of thirty (30) days from date from approval by Council
 - iii. Subdivisions: Prior to issuing a certificate confirming that all conditions imposed by council relating to the approval have been complied with.
 - iv. Permits: Within a period of thirty (30) days from date of issuing a Permit by the Department of Local Government & Housing.
 - v. Any consent given by Council which may require upgrading of the network.
- d) The manner in which payments are made for each service must be flexible but should be agreed upon at the time of the signing the Services Agreement, alternatively it should be determined in a resolution of Council or letter of approval issued by Council. Acceptable alternatives are:
 - i. The provision of a bank guarantee for the full cost of electrical services and it must make provision for escalation to the planned date of construction.
 - ii. Cash payment.
 - iii. Phasing of the payment according to pre-determined milestones such as pro-rata contribution per phase, subject to the developer offering an acceptable bank guarantee for the balance of the amount.
 - iv. The physical provision of infrastructure to the value of the calculated contribution required for that service, forming part of the Services Agreement.

17. CHANGES TO TOWN PLANNING RIGHTS AND/OR DEMAND

Contributions will be applicable for developments exceeding the original designed capacity for each development as per approved contribution fees.

The zoning can be changed during the planning process, based on new information / requirements.

Where a downgrading of zone takes place after payment of contribution was made, no refund will be made of contributions already paid. The supply requirements may however increase in future up to the original service level, without any further contribution.

Where a developer wishes to reduce the demand in kVA calculated on which contributions will be applied, he should first consider reducing the town planning rights, e.g. reducing the FAR.

Where the developer cannot reduce the town planning rights, and still requires a lower demand value for the purposes of calculating engineering contributions, he can restrict the demand by registering a servitude of constraint in the title deed for the particular property

Where a consumer's notified maximum demand is increased in order to avoid penalties for exceeding the NMD on the monthly consumption charges, engineering contributions will be payable as well.

Where a consumer reduces his notified maximum demand, no refund for previously paid engineering contributions shall be considered.

18. PUBLICATION AND REVISION FREQUENCY OF RATES

The electricity contribution fees should be reviewed and updated annually and published with the annual municipal rates and tariffs.

19. CONTESTABILITY

A developer has the right to contest a quote from the utility and thus use a contractor to install the services to the municipal standards and specifications.

20. EXCLUSIONS AND EXEMPTIONS

Contributions will not be payable under the following circumstances:

- a) Where existing municipal services or components thereof are established and are mainly financed from sources other than municipal funds. For instance, allocations and/or subsidies, i.e. INEP, MIG, etc.
- b) Where the municipality is not the supply authority that providing electricity services in a specific municipal area.
- c) For areas previously supplied by other and the distribution license is transferred, the exemption lapses as soon as the Municipality is established or provides the municipal service.
- d) Indigent Customers registered on the municipal indigent database shall be exempted from paying engineering contributions, on condition that the supply remains limited to a maximum of 20A single phase and will be used exclusively for a single connection per erf or designated family living area. Only one such consent will be allowable per Indigent Customer. Should the customer at that address in future apply for the demand increase above 20A, the full payment of contribution for the new NMD will be payable.

ANNEXURES

ANNEXURE A: RATES SCHEDULE

ANNEXURE B: SINGLE LINE DIAGRAM WITH RATES

ANNEXURE A: RATES SCHEDULE

Refer to Annexure A attached as a separate document.

ANNEXURE B: SINGLE LINE DIAGRAM WITH RATES

Refer to Annexure B attached as a separate document



Rustenburg Local Municipality

Draft

Expenditure Management Policy

Rustenburg Local Municipality Expenditure management Policy

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1. ABBREVIATIONS

CFO	– Chief Financial Officer
CM	– Council Minute/'s
IDP	– Integrated Development Plan
MBRR	– Municipal Budget Reporting Regulations
MFMA	– Municipal Finance Management Act, Act No. 56 of 2003
MSA	– Municipal Systems Act, Act No.32 of 2000
MSTA	– Municipal Structures Act
MTREF	– Medium term revenue and expenditure framework
SDBIP	– Service delivery and budget implementation plan

2. DEFINITIONS

“Chief Financial Officer”

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

"Approved budget" means the annual budget approved by a municipal council; and includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Assets" means resources controlled by the Municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the Municipality.

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Chief Financial Officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; who is administratively in charge of the budget and treasury office as per section 81(1) (2) of the MFMA;

"Councillor" means a member of council;

"Creditor" means a person to whom money is owed by the municipality;

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

"Delegation" means the power to perform a function or duty which is given to office bearer, councillor or staff members either in terms of section 59 of the MSA or section 79 of the MFMA;

"Executive Mayor" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the MSTA;

Expenditure management means all the procedures necessary to ensure that the payments of sums owed by the department are made in an efficient, effective and timely manner.

"Generally recognised accounting practice" means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

"Financial statements" means statements consisting of at least –

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

"Financial year" means a twelve-month period commencing on 1st July and ending on 30th June each year;

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

"Irregular expenditure" means –

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

"Local community" means the meaning assigned to it in section 1 of the MSA;

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

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

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

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

"Municipal entity" has the meaning assigned to it in section 1 of the MSA;

"Municipality" means the Mossel Bay Municipality;

"Municipal service" has the meaning assigned to it in section 1 of the MSA;

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

"Official" means –

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

"Overspending" means -

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

"Previous financial year" means the financial year preceding the current year;

"Quarter" means any of the following periods in a financial year –

- a) 1 July to 30 September refer to as the 1st quarter;
- b) 1 October to 31 December refer to as the 2nd quarter;
- c) 1 January to 31 March refer to as the 3rd quarter
- d) 1 April to 30 June refer to as the 4th quarter;

"Service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of the municipality, in terms of section 53(l) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services;

"Unauthorised expenditure" means any expenditure incurred by a municipality otherwise than in accordance with sections 15 or 11(3) of the MFMA, and includes –

- a) Overspending of the total amount appropriated in the municipality's approved budget;
- b) Overspending of the total amount appropriated for a vote in the approved budget;

- c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) Spending of an allocation or a grant by the municipality otherwise than in accordance with the MFMA;

“Vote” means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different directorates of the municipality; and which specifies the total amount that is appropriated for the purposes of the directorate concerned and includes:

- Municipal Manager;
- Corporate services;
- Financial services;
- Technical services;
- Community services; and
- Planning & Integrated services;

“Vote holder” means the senior manager to which the vote is assigned.

3. OBJECTIVE

The objective of the Rustenburg Local Municipality Expenditure Policy is –

- to set out Standard Operating Procedures that the municipal officials need to adhere to;
- to promote accountability and compliance with MFMA Act 56 of 2006 on payments made by the municipality;
- ensure that the principles applied, as a result of this policy, will enhance and support a healthy working capital position for the Mossel Bay Municipality;
- set out a framework for Rustenburg Local Municipality to deal with:
 - All expenditure related transactions;
 - Unforeseen and unavoidable expenditure;
 - Unauthorised, Irregular and Fruitless and wasteful expenditure
 - To establish and maintain procedures to ensure adherence to the Municipality’s IDP review and budget processes; and
- ensure that all monies due by the municipality is paid in full within the 30 days of date of invoice or statement; whichever is the latest as prescribed by the Municipal Finance Management Act, 2003 (Act No.53 of 2003)

4. EXPENDITURE MANAGEMENT

4.1 Payments to creditors

The Creditors' Office has a payment run on every 10th day of each month where all submitted requests for payments are processed;

The respective Directorates shall submit all requests for payment complete, properly certified, approved in line with the delegation of authority, supply chain policy & MFMA and accompanied by the relevant invoices and supporting documentation to the Creditors' Office at least 7 days before the payment run date.

Supporting documentation that must accompany the request for payments is as follows:

- an invoice made out to Rustenburg Local Municipality, with the supplier name, invoice date, invoice number, supplier VAT number, description of goods/services, contact details and supplier banking details;
- the suppliers' statement where there are outstanding amount due, a GRN certificate approved in line with the delegated authority, as well as the supplier tax clearance;
- confirmation that there's sufficient funds on the vote number written on the request for payment form (budget availability);

Invoices or statements submitted for payment to the Creditors' office by any Directorate shall be in such form as may be required by the CFO and must state the reference to the relevant vote to meet such payment.

Directors shall advise the CFO of the names of officials empowered to sign vouchers and authorise payment of accounts or refer to the Delegations of Authority document approved by Council.

When a Directorate authorises the payment of accounts the signatory certifies and authorises that:

- a) All processes in terms of the Supply Chain Management Policy of the Municipality had been followed, according to the departments knowledge;
- b) The goods and services have been received and rendered in good order and are under the control of the Municipality
- c) The account has not previously been submitted for payment;
- d) The invoice amount is not in contra to the contract amount;
- e) Sufficient budgetary provisions exist;

Payments must only be made on the date(s) and/or days indicated on the payment schedule approved by the CFO unless prior approval to effect payment on a different date is obtained from the Accounting Officer

No payments shall be affected prior the approval of the payment voucher by the CFO

The municipality must ensure that all payments are made within 30 days of receiving the invoice or from the invoice date.

The Accounting Officer has the powers to delay payments beyond 30 days on negotiation with the supplier with a reasonable motive to challenges that result in failure to pay within the stipulated period.

Once payment has been made, all payment voucher must be subsequently filed and stored in a secured room and only the delegated official must be in possession of the keys to the room.

4.2 Retentions

The respective Directorates shall submit all requests for payment complete, properly certified, approved in line with the delegation of authority, supply chain policy & MFMA and accompanied by the relevant invoices, completion certificate and other supporting documentation to the Creditors' Office at least 7 days before the payment run date.

Expenditure section must record retention on each payment made to projects that attract retention and maintain a retention register.

The retention for new projects is 10% of the contract value and Upgrading or Maintenance projects attract a 5% retention of the contract value.

At the end of the projects, 50% of the retention value is released and a practical completion certificate is submitted by the contractor with the claim.

Monthly reconciliations of the retention register, and the General Ledger must be prepared and signed off by the CFO as evidence of review.

4.3 Petty Cash Payments

Petty cash vouchers or receipts must be attached on a requisition form and the form must be signed as verification.

Upon Receiving original orders from procurement section, the invoices must be matched to the orders.

When the statement comes it must be matched to the invoices and reconciled.

Only officials duly delegated to authorise quotations and certify invoices for payments may authorise the request for petty cash and authorise the expenditure incurred via a petty cash transaction.

Each Senior Manager is only allowed disbursements from the petty cash not exceeding R250.00, or any other amount that the council may determine from time to time.

No request for petty cash transactions may be lodged for items that is held as inventory in the municipal stores.

A proper register as determined by the Head: Expenditure must be maintained; and

Supplement to the petty cash advance made must be done on a regular basis;

The following documentation must be submitted with supplement to the advances:

All signed schedules and vouchers supported by the relevant invoices and vote allocations; and

A proper reconciliation to match the supplementary amount.

The register must be balanced and reconciled on a weekly basis. The reconciliation must be signed by the employee compiling it, whilst the Section Manager: Expenditure must review and sign it off as correct.

A register of numbered vouchers must be kept by the petty cash clerk;

4.4 Third Party Payments

The salaries office compiles a spreadsheet with all relevant information of each employee and submits it to the Creditors office for allocation of payments.

The spreadsheet is then edited and verified for any errors, then captured on to the system.

4.5 Grant Expenditure

All projects financed through grant should be paid from the allocation. No payments will be allowed in respect of projects to be financed from external grants unless grant funding has been received.

Council may, however, approve payments before any funds have been received but only where funds have already been committed to in writing, by the relevant state department or other institution.

The relevant directorate must obtain approval for bridging finance, as referred to in the above paragraph.

4.6 Capital Expenditure

Spending on capital projects shall be incurred only when—

1(a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2) of the MFMA;

(b) the project, including the total cost, has been approved by the council;

(c) the sources of funding have been considered, are available and have not been committed for other purposes.

(2) Before approving a capital project, the council must consider—

(a) the projected cost covering all financial years until the project is operational; and

b) the future operational costs and revenue on the project, including municipal tax and tariff implications.

4.7 Withdrawals from Bank Account

Any withdrawal from a bank account; in the name of the Rustenburg Local Municipality, may only occur in terms of section 11 of the MFMA.

All withdrawals must comply with the Cash & Investment Policy of the Rustenburg Local Municipality and shall be signed or authorised by not fewer than two people as authorised by the Accounting Officer.'

The delegated authority to sign cheques or authorise electronic payments shall be in writing and kept on record and be reviewed regularly by the Accounting Officer. Copies of such letters of authority will be kept by the expenditure department.

4.8 Subsistence & Allowance

The municipality must ensure that when the travelling forms are received the correct vote numbers must be recorded on the documents and the correct amounts are recorded according to the day a person is travelling.

The fuel must be calculated according to the AA rates and every time the fuel price goes up the template must be changed according to the fuel price from the department of energy.

The following must be attached or confirmed upon submitting a S&T claim:

- That there is an attachment for the necessary trip an invitation or course dates or the reason and date for travelling
- The director has signed the form
- If the person sleeps over then the form must be signed by the municipal manager
- If the person is travelling with his private car then he must submit an invoice of the purchase price of the car.

Once signed then it must be taken to the salary department.

4.9 RECONCILIATIONS

Reconciliation activities should be performed for before any payment is captured to confirm that the payment is for approved purchases and is being billed correctly.

Vendor invoices should be reviewed for accuracy by comparing charges to purchase orders.

Verification of goods and services purchased should be performed before any payment is recorded to confirm that they have been received.

Monthly reconciliations of operating ledgers should be performed to assure accuracy and timeliness of expenses.

5. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE

I before recommendation of a supplier is made to the relevant department, the supply chain unit must ensure that:

- a) All supply chain processes are duly followed in order to avoid irregular expenditure;
- b) The recommendation of the supplier is directed to the employee with the appropriate level of authority; and
- c) The prices, calculations and any taxes are correct in terms of the quotation or tender received;

- II. All money owed by the Municipality must be paid within thirty (30) days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
- III. Payments will only be made directly to the person or institution to which a contract was awarded and from which the invoice is received for legally rendering the service to the Municipality.
- IV. All Unauthorised, Irregular, Fruitless and Wasteful Expenditure will be dealt with in terms of Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings promulgated in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003.

6. INTERNAL CONTROLS

This policy should apply across all expenditure related activities and other activities that affect expenditure management activities.

Authority to initiate payments or purchases is outlined in the Delegation of Authority document approved by the Municipal Manager 20th February 2019.

All procedures above are applicable to all municipal officials who may, at any given time, form part of an expenditure process and all payments may only be process once all related procedures are adhered to.

A proof list report run must be performed during the processing of payments to confirm information on the systems agrees to the information on the payment voucher.

A final system cash focus run is performed to verify that the proof list and payment voucher reports are done.

The cash focus reports are then printed for approval by the Expenditure Unit and Section Managers or by the Deputy CFO.

If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—

- (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- (b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- (c) the steps that have been taken—
 - (i) to recover or rectify such expenditure; and
 - (ii) to prevent a recurrence of such expenditure.

An updated Specimen of signatories together with the Delegations of Authority document must be kept available to all expenditure officials.

The petty cash requisition form details must include the vote to be debited before a cheque is made out for the incurring of the expense. The requisitioned amount should not exceed a maximum amount set by the CFO:

- Every petty cash requisition must be supported by proper supporting documentation such as cash sale slips or receipts etc. Therefore, if cash is advanced without supporting documents it should be based on an advance until the purchase is made and the supporting document is submitted within the prescribed time, e.g. a week.
- Each requisition/expense must be entered onto the petty cash register.

Segregation of duties

The Municipal Manager must implement processes and control procedures that segregate duties among employees and that include effective oversight of activities and transactions.

Officials with access to create purchase orders or enter accounts payable invoices are not allowed access to add or change records on the system, nor approve those purchase orders. A person independent of the purchase order creation must approve the purchase order.

However, users with access to create accounts receivable invoices have retained access to add or change customer records on the system.

Officials who create purchase orders may approve receipt of goods for those purchase orders. However, where a variation to the original purchase order occurs, it must be approved by a person independent of the variation to the order (subject to be a material variation).

Officials who enter or review accounts payable invoices must not approve payment of those invoices, and may not review or enter invoices and also approve invoices within the same user group. A person independent of the invoice review process must approve invoice payments. The supporting documentation to invoices may only be signed off by authorised delegates who do not have access to create the accounts.

Journals may only be approved by a person independent of the creation of the journal.

7. IMPLEMENTATION AND REVIEW OF POLICY

This policy shall be implemented from the date of approval by Council and shall be reviewed on annual basis to ensure that it is in line with Rustenburg local Municipality's strategic objectives and legislation.

Rustenburg Local Municipality



FLEET MANAGEMENT POLICY

REVIEWED: NOVEMBER 2018

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FLEET MANAGEMENT POLICY

INTRODUCTION

Rustenburg Local Municipality adopted and implemented the policy to put measures in place that govern the use of council vehicles, disciplinary procedures, the maintenance procedures and other related matters.

The policy covers all types of vehicles owned by the Municipality, whether allocated to directorates or form part of pool items, items from donor organizations (if any) and any item hired by the Municipality.

It must be noted that this policy will be reviewed, revised and refined as an on-going framework and will therefore be subject to changes and adjustments.

SECTION 1. OBJECTIVES AND SCOPE

- 1.1 Fleet within a Municipality is supplied as a tool of trade to support the Municipality in the delivery of its objectives. Therefore, the aim of this policy is to ensure that Municipal fleet is used in the most cost-effective manner and also to ensure the correct and relevant utilization thereof.
- 1.2 Every driver in the Municipality must be given a copy of this policy before he/she is allowed to drive/operate the vehicle, machinery or equipment and should be made aware of what the policy entails. Non-compliance with standing rules contained in this document will render the offending official liable to disciplinary action.
- 1.3 The municipality may to some extent recover any losses suffered as a result of proven negligence of the driver/operator. The MFMA in Section 32(2) states that a municipality must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.

SECTION 2. DEFINITIONS

“Municipality” means the Rustenburg Local Municipality

“Fleet manager” means an official appointed by the Municipality to preserve and manage the correct utilization and maintenance of the Municipal fleet.

“Directorate vehicle” means a vehicle permanently allocated to a directorate for its exclusive use, operated and maintained by its own budget.

“Pool vehicle” means any vehicle other than directorate vehicles and are for general use by officials / employees subject to availability.

“Wear and tear” means any loss or damage to a vehicle resulting from reasonable usage of the vehicle such as cracked or broken glass, stone chips, minor scratches, reasonable tyre wear etc.

“Major scratches” means an area on a vehicle where the clear coat is opened and the base coat damaged, necessitating a re-spray.

“Municipal manager” includes any delegates of the Municipal Manager;

“Underbody damage” means excessive damage to the exhaust system, underbody protection, chassis, sump guard etc.

“Unofficial passenger” means an unauthorized person found in an official transport or persons whose conveyance are not necessary for the execution of official duties as well as any employee(s) who is off duty or any private property which may be conveyed without written authority from the Directorate head concerned.

“Designated parking premise” means an official parking area used for parking Municipality vehicle at the end of a shift.

“Driver/operator” means an official / employee of the Municipality in possession of a valid unendorsed driver’s license, which enables him/her to drive/operate a specific category of a vehicle/machinery.

“Classification code or fleet number” means a code or number used to identify a Municipality’s vehicle.

“Vehicle inspector” means an official appointed by the Municipality to check, inspect, and monitor driver/vehicle performance.

“Private repair” means repairs to Municipality’s vehicles by a party other than an authorized dealer, recommended by the insurance company or service provider approved by the Municipality.

“Accident” means an incident resulting in loss or damage to a Municipality vehicle but excluding fair wear and tear.

“Safe parking” means designated municipal parking

“Road traffic act” means the National Road Traffic Act, 1996 (Act No. 93 of 1996) as amended.

SECTION 3. PROPER USE OF MUNICIPAL VEHICLES

- 3.1 Municipal vehicle is strictly provided for official services only and not be used for private purpose. Council will provide the transport to on-duty employees in accordance with its operational requirements as well as in specific circumstances set below, approved by the relevant director/line manager
- a) Shifts
 - b) Overtime
 - c) Standby
 - d) Training courses
 - e) Meetings
 - f) Injury on duty
 - g) Employees wellness related needs & sporting events
- 3.2 The Municipal vehicle shall only be driven by a Municipal employee with an approved authorized trip request by the line Manager.
- 3.3 Assessment for new council employees in possession of a driver's license will be conducted using a Council vehicle and all other employees will be re-assessed as an when need arise, provided the assessment is conducted by Municipal Driver's License Testing Officials to verify competency of the driver to operate the specified vehicle.
- 3.4 No Council vehicle may be used for informal driver training, such as by other council drivers, or related testing to obtain a driver's license.
- 3.5 The driver must be licensed in terms of the National Road Traffic Act for the class of vehicle under his/her control.
- 3.6 The allocation of vehicles, machinery, equipment and plant to other Directorates is at the discretion of the Director there-of. He/she must ensure that the "party" borrowing the vehicles, machinery equipment, plant etc. will meet the operational control requirements.
- 3.7 It is the responsibility of the driver to ensure that Logbooks with specific details are kept up to date and inspected by the Unit /Section Managers or designated representatives at least once a week.
- 3.8 No employee shall drive or operate any municipal vehicle unless he/she is fully authorized to do so.

- 3.9 Drivers are expected to use the shortest route to their destination so as to secure maximum operating efficiency at minimum expense.
- 3.10 Transporting unauthorized passengers using Municipal vehicles i.e. offering a lift to a hitchhiker, an off duty employee, a friend, or a family member is strictly prohibited. The Municipality accepts no liability for any unauthorized passenger transported without authorization.
- 3.11 Official transport is to be used in all instances where personnel and Councilors, who do not participate in transport allowance scheme, need to travel within / outside the Municipal area of jurisdiction by completing the relevant prescribed forms.

SECTION 4. DRIVERS CODE OF CONDUCT

4.1. Responsibility of the driver

- 4.1.1 Municipal vehicles can only be driven by authorized Municipal employees, except in special cases such as when the vehicle is driven by a private service provider's for the purpose of repairs or testing **(TR8 form must be completed)**
- 4.1.2 The driver to take a full responsibility of the Municipal vehicle once a vehicle is taken by him /her until such time vehicle keys are returned back to the office.
- 4.1.3 Drivers to ensure that malfunction of a drivers tag is reported to Fleet Manager immediately. Should a manual fuel transaction be required the relevant Unit Manager must motivate the request to the Fleet Manager. Only two (2) manual transactions will be allowed per vehicle.
- 4.1.4 Councilors (except the Executive Mayor, Speaker and Chief whip) are not allowed to drive official vehicles. Official transport arrangements for the Mayor, Speaker and Chief whip are to be handled by the Manager at their respective office and for all other Councilors by the office of the Mayor and or Office of the Speaker.
- 4.1.5 The full co-operation of all employees concerned is required to ensure that the municipal Transport System functions efficiently at all times. All drivers are expected to accept and exercise the responsibilities associated with the operation of vehicles, as described in this Policy and Procedures document.

4.1.6 Arrangement shall be made through the Vehicle Workshop and Directorate: Public Safety to assess the driving ability and skill of all/any potential new driver(s) appointed by the Council before being authorized to drive any Council vehicle and reassessment of drivers will be conducted every 12 months.

4.1.7 The driver must have an **unendorsed** valid driver's license and where applicable a Valid PrDP license as well.

4.1.8 Before issuing of a driver's tag, such a driver must be well conversant with the content of this policy and signed acknowledgement of same.

4.2 USAGE

4.2.1 Municipal transport is provided strictly for official purpose only and is not to be used for private purposes.

4.2.2 When a municipal vehicle is to be used, the driver must ensure that a copy of the Trip Authority duly authorized and signed, is held in the vehicle. Especially if the vehicle would be used outside the Rustenburg Local Municipality area of jurisdiction.

4.2.3 All municipal vehicles and mobile plant must be issued with a logbook. The driver/operator is required to record all his/her daily trips point to point in the logbook, of which the top sheet is to be detached or copy made and handed to his/her/Supervisor for checking on a weekly basis and retention for record purposes.

4.3. PUBLIC IMAGE

All municipal vehicles shall be driven in a SAFE and COURTEOUS manner, which will promote the Municipality's PUBLIC IMAGE. Municipal drivers, vehicles and work teams are constantly in public view. Their behavior shapes the public concept of municipal efficiency in general.

4.4. CAREFUL HANDLING

Municipal vehicles shall at all times be driven and handled with proper care and attention, to obtain the best mechanical service and avoid infringements of the law. Any evidence of neglect, rough handling or reckless driving shall be reported to the relevant Director/Unit/Section Manager concerned. In the event that directors fail to take relevant action, the Municipal Manager has to implement consequence management.

4.5 INSPECTION OF VEHICLES

- 4.5.1 Pre and post inspection of vehicles are to be carried out by drivers/operators on a daily basis and inspection form to be kept in a file for record purpose.
- 4.5.2. Every driver of a municipal motor vehicle must at all times ensure that the vehicle is in a roadworthy condition by completing inspection forms, failing which he/she will be responsible for the payment of any traffic fines that may be imposed.
- 4.5.3. The last user of a vehicle will be held responsible for any unreported damage/defects/loss. The onus is therefore on each driver to thoroughly inspect and report any damage/defects/loss to the supervisor and insurance office prior to acceptance.
- 4.5.4 All municipal vehicles will be inspected periodically by designated staff appointed by the Unit/Section Managers to ensure that a proper state of cleanliness, repair and efficiency is being maintained by the driver/person responsible for the vehicle. Ad hoc inspections will be done by the Fleet Management team and Unit Manager on all Municipal Vehicles on quarterly basis
- 4.5.5 Any senior manager of the Municipality has the right to stop and inspect any municipal vehicles and check for trip authorization

4.6 TRANSGRESSIONS

Failure to comply with the content of this policy and any other additional instructions issued by the relevant Director/Unit/Section Manager or Fleet Manager renders the offending employee liable to disciplinary action

4.7 RULES AND SAFETY

All the users of the municipal vehicles must ensure that they comply with the safety prescription contained in terms of National Road Traffic Act (NRTA) and other safety measures set by the municipality

4.8 PROFESSIONAL DRIVING PERMITS

4.8.1 Unit Managers to ensure that drivers are possession of Professional Driving Permits (PrDP's) for heavy vehicles as per the following categories

- a) Heavy goods vehicle above 3.5t GVM
- b) Articulated vehicles above 3.5kg GVM
- c) Breakdown vehicle
- d) Bus seating more than 12 passenger
- e) Mini- bus seating more than 12 passengers
- f) Refuse compactor
- g) Water tanker

4.8.2 It is the responsibility of Operators and drivers to ensure that their PrDP's are current at all times and renewed prior to the expiry date.

4.8.3 Supervisors are required to do regular inspections and keep records of all relevant licenses and PrDP's of drivers under their control to ensure that vehicles are operated by fully licensed drivers.

SECTION 5. TRIP AUTHORITY

5.1 All movements must have an approved trip authority and registered on the logbook. In normal circumstances, may be authorized by a Section Head or Unit Manager and in other circumstances by the Municipal Manager or Manager in the Office of the Mayor , Office of Speaker and office of the Single whip.

5.2 If a vehicle is based away from the Main Municipality offices e.g. satellite station(s) or an official is required to be on standby, then a trip authority can be issued against a weekly or monthly work plan.

- 5.3 The signed trip authority and a logbook must be carried in the respective vehicle at all times; and be produced if requested to do so by the Traffic Official(s), Fleet Manager or Vehicle Inspector.

NB: Senior managers, Vehicle Inspectors, Fleet Manager and/or Traffic officials are mandated to stop any municipal vehicle at any given time to ascertain whether the necessary forms have been properly completed.

SECTION 6. PARKING OF MUNICIPAL VEHICLES

- 6.1 All Municipality vehicles must be returned to their designated parking premises immediately upon return from an official trip or end of shift.
- 6.2 The vehicle must be properly locked, and keys must be kept away in a safe place.
- 6.3 When the vehicle is away from its designated parking premises, the parking place should be lockable or have a 24-hour security. The driver must use a steering or gear lock on the vehicle. Where secure facilities are not available, the vehicle should be parked at the nearest official property e.g. police station. The driver of the vehicle is responsible for ensuring that the vehicle is parked as safely as circumstances may permit.
- 6.4 Specific authority from the Unit/Section Manager concerned must be obtained before an employee will be permitted to safeguard any official vehicle at a private residence (TR3 Form).
- 6.5 Such vehicle shall be parked on the premises of the employee, preferably in a lockable garage, but in the event of this being impossible, the vehicle shall be kept out of sight of road users and/or passers-by, behind a locked gate/fence.
- 6.6 The driver must ensure that the gear-lock (where available) is engaged and the key is removed when the vehicle is not in use.
- 6.7 The driver is responsible for any tools and equipment left on or in the vehicle when taken home.
- 6.8 The driver will be held liable should these be stolen from a vehicle not kept in a locked garage. Where vehicles are not kept in a locked garage, loose equipment must be securely locked away in the house, flat or garage.

- 6.9 To eliminate the possibility of the theft or loss of municipal assets, personal belongings and radio microphones whilst a motor vehicle is being serviced or repaired, all such items must be removed **BEFORE** the vehicle is delivered to the vehicle workshop or the relevant external service provider.
- 6.10 If vehicles are left at the service provider with such items still in the vehicle, the driver will be held responsible for any subsequent loss in this regard.

SECTION 7. VEHICLE KEYS

- 7.1 Employees in charge of vehicles and shall ensure that all the times the ignition, door lock, fuel cap; gear-lock and other keys of the vehicle in use are suitably safeguarded against loss or theft.
- 7.2 In the event of a vehicle's keys being lost or mislaid, the driver shall not attempt to open the locking system of the vehicle, but shall obtain assistance from the Vehicle workshop.
- 7.3 At no time shall a driver leave his/her vehicle unattended without first switching off the engine and removing the ignition key, engaging the gear-lock (if installed) and removing the key.
- 7.4 Vehicle keys will only be replaced on production of a copy of the relevant loss report. All costs for keys will be for the user's account.
- 7.5 Spare keys to be kept in a safe when not in use and can only be made available in emergency cases through superintend at mechanical workshop

SECTION 8. DAMAGE, LOSSES AND THEFT

- 8.1 An employee who takes over a municipal vehicle must ensure that any damage or loss is immediately brought to the notice of his/her supervisor in writing. Unless he/she complies with this instruction, he/she will be deemed to have received the vehicle in good order.
- 8.2 Any person found unlawfully removing fuel from a municipal vehicle or engaged in the unauthorized removal or exchange of any component on a municipal vehicle will be subjected to the strictest discipline, as prescribed in the prevailing Conditions of Service.

- 8.3 In the event of accident ,losses, theft or hijacking, the employee operating the vehicle shall immediately report the matter to his/her Supervisor, insurance and SAPS within 24hrs, who shall, in turn, ensure that the incident is dealt with in terms of the Municipality's Loss Control Policy Procedures Manual for Reporting of Incidents of Fraud/Theft/Loss.
- 8.4 In the event of accident, hijacking or armed robbery, the Unit/Section Manager concerned must ensure that the affected staff member(s) is/are given the necessary assistance in reporting the case to the relevant authorities and arrange for counseling if required
- 8.5 An official who is injured whilst using a Municipality vehicle on official duty either as a driver or as a passenger will be regarded as having been injured on duty and the matter will be dealt with in accordance with the arrangements applicable to injury on duty
- 8.6 Any Municipal vehicle may be subjected to a search by Municipal Security Personnel or by any official from supervisory level upwards.

SECTION 9. WITHDRAWAL OF PRIVILEGES

The Municipality, at its discretion, may withdraw any privilege and/or take disciplinary action against an official/employee, in the event of such official/employee having contravened any of the conditions contained hereunder:-

- 9.1 Driving under the influence of alcohol and/or intoxicating substance
- 9.2 Allowing any person or employee to drink alcohol or intoxicating substance while being transported on a Municipality vehicle.
- 9.3 Acting maliciously, intentionally or grossly negligent or permitting anyone else to willfully damage or misuse the Municipality's vehicle and equipment.
- 9.4 Failing to report any accident within the prescribed period.
- 9.5 Effecting a private repair.
- 9.6 In the event of a driver developing any disease or disability which will render him/her incapable of effectively controlling a vehicle and subject to a report from the Medical Doctor, he/she will be suspended temporarily or permanently from driving a municipal vehicle.

- 9.7 Admitting liability for loss or damage caused due to an accident to an outside party, whether orally or in writing, without the consent of the Municipality.
- 9.8 Failing to conduct a pre and post inspection on the vehicle using the pre-check form (Form TR4);
- 9.9 Failing to complete and carry a logbook in a vehicle at all times (Form TR6)
- 9.10 Engaging on unsafe, loading a vehicle beyond its design capabilities.
- 9.11 Taking the vehicle to a private service provider without authorization of an order.
- 9.12 Calling out a private field service mechanic or towing services when his/her vehicle has a break down without authority from the Vehicle Inspector or Workshop Superintendent.
- 9.13 Failing to record fuel issues on the logbook of the vehicle
- 9.14 Failing to bring a vehicle for service.
- 9.15 Being involved in three or more accidents (and having been found guilty of misconduct) in a period of 24months
- 9.16 Using a Municipality vehicle for private purposes or personal gain.
- 9.17 Smoking in a Municipality vehicle.
- 9.18 Operating any hydraulic or lifting equipment on an official vehicle without a valid operator's certificate.

SECTION 10. BREAKDOWN PROCEDURES

In the event of a breakdown, all care should be taken that the vehicle and its load are in the safest position possible and that warning triangles be placed at a distance of 45 meters in line with the center of the vehicle and in the direction of approaching traffic.

If the breakdown results in a traffic hazard, assistance must be requested from the Traffic Authorities.

- 10.1 In the event of a breakdown involving suspected brake failure, **THE VEHICLE MUST REMAIN STATIONARY**, to be moved only by the municipal breakdown crew.
- 10.2 Breakdowns must be reported to the Vehicle workshop.

The following information should be provided to breakdown crew:

- 10.2.1 Names of driver and the Unit.
- 10.2.2 Vehicle registration or fleet number.
- 10.2.3 Exact location where the vehicle has broken down.
- 10.2.4 Possible causes of breakdown.
- 10.2.5 Evidence of leaks (oil, water, hydraulic fluid, air, etc.)
- 10.2.6 Where the fault is located (e.g. front, rear, side)
- 10.2.7 Whether the vehicle is bogged down.
- 10.2.8 Breakdowns outside normal duty hours should be reported as follows:

Municipal-owned vehicles

Standby Cell phone number or Call Center @ 064 757 4993 /014 590 3187

Driver to remain with the vehicle until assistance is received.

No towing company is allowed to tow any Municipal vehicle without the authority from the Vehicle Workshop or insurance office. In the case where a Municipal vehicle is involved in an accident or broken down and is obstructing traffic flow, they may be allowed to move the vehicle out of the way but only on the instruction from the police and/or traffic officials.

SECTION 11. ACCIDENTS

- 11.1 in the event of an accident the driver/ operator must call the police, traffic officer, Vehicle Workshop Standby, supervisor and Head of Security of Rustenburg Local Municipality if possible. Accident to be reported within 24 hours to either or all of the officials mentioned above.
- 11.2 Driver or operators to complete an Incident Report Form and to be submitted to the insurance office. Under no circumstances must liability be admitted to any person at all or at any time, or payment offered or made to a third party until insurance processes were duly followed
- 11.3 In the event of a third party admitting liability, endeavors must be made to obtain a written statement from him/her to that effect.
- 11.4 Should the third party be suspected of being under the influence of intoxicating liquor or drugs, this fact must be brought under the attention of the police or traffic

officer or Head of Security of Rustenburg Local Municipality called to the scene of the accident and every assistance must be rendered to him/her in ensuring that the suspected person is examined by a doctor as soon as possible in accordance with the Road Traffic Act of 1996

11.5 The following particulars must be obtained, preferably at the scene of the accident:

11.5.1 Registration number, make and type of the other vehicle(s);

11.5.2 The name, address, ID number, home and work telephone number of the driver and the owner of the other vehicle;

11.5.3 The name of the insurance company of the other vehicle;

11.5.4 The nature and extent of the damage caused to the other vehicle(s) in this particular accident only if there is previous damage to such vehicle this should be recorded and pointed out to the police or traffic officer;

11.5.5 The name, address, ID number, home and work telephone number and estimated age of any passenger(s) and/or pedestrian(s) involved in the accident and of any person(s) killed or injured, as well as nature and extent of injuries;

11.5.6 A description of animals and fixed objects involved in the accident and the name and address of the owner, in the case of animals and also the name and estimated age of any herdsman(men) who tended or drove the animals, as well as the nature and extent of injuries and damage.

11.6 Should the driver of the Municipality's vehicle be required to appear at an autopsy or inquiry or should any criminal or civil proceedings be instituted against him/her, he must immediately notify Legal Unit and submit the summons, subpoena or notification to appear served before him/her to this unit

SECTION 12. THIRD PARTY CLAIMS

12.1 Third-party claims received must immediately be handed to the Directorate Budget and Treasury (Insurance Section).

12.2 If receipt of the claim is acknowledged, it must be stated clearly in the letter of acknowledgement that it is being done without prejudice and that the claim is

receiving attention. The letter must contain no statement or admission that could possibly prejudice the Municipality's case.

SECTION 13. INSURANCE

All municipal vehicles are covered by an insurance company appointed by the Municipality.

13.1 FORFEITURE OF COVER BY THE DRIVER

- 13.1 Use of Municipality vehicle without authority for other than official purposes.
- 13.2 Was not in possession of a valid driver's license.
- 13.3 Allowed the vehicle(s) to be handled by a person not authorized to do so.
- 13.4 Without authority, deviated from the authorized or official trip or route.
- 13.5 He/she was under the influence of intoxicating liquor or drugs
- 13.6 The concentration of alcohol in his/her blood was not less than that prescribed by legislation.
- 13.7 He/she was found guilty of contravening any of the Road Traffic Act and Regulations.

SECTION 14. FUEL AND OILS.

- 14.1 Where employees in charge of the municipal vehicles require fuel and /oil, they shall obtain same from the Municipal fuel station
- 14.2 Where fuel is required in containers or to refuel small plant, the relevant Unit Manager must engage the Fleet Manager to authorize the request against a separate requisition and should be made for emergencies only
- 14.3 Drivers are to ensure that vehicles are at all times filled with enough fuel to reach the prescribed refueling station. Should the driver encounter empty tank away from the prescribed refueling station, he/she will be liable for this negligence.
- 14.4 When on tour, any service provider linked to the approved supplier of fuel can be used. All the relevant documentation and delivery notes must be submitted to the Fleet Manager upon return to the municipality

SECTION 15. PROCEDURE TO REQUEST FOR OFFICIAL TRANSPORT

- 15.1 The applicant must complete a TR1 form and the signed form must be submitted to the Fleet Manager timeously prior trip.
- 15.2 It is expected from the driver to complete the TR2 form should the trip be scheduled outside the jurisdiction of RLM.
- 15.3 The Fleet Manager will issue / approve a vehicle upon receiving fully completed necessary forms depending on the availability of the vehicle.
The driver will then assume responsibility for the vehicle at that point and the vehicle will remain his /her responsibility until it is returned.
- 15.4 It is advisable that a driver under the centralized structure of the Fleet section be driving such a vehicle if possible. In the event where the applicant is required to be at the specific venue more than one day – due to availability of fleet – that the applicant be dropped at the location and the driver be informed – as specified on TR1 and TR2 – when to collect the applicant.

SECTION 16. TRAFFIC FINES

- 16.1 All fines obtained through transgression of Road Traffic Act will be borne by the Driver / operator.
- 16.2 Council shall recover outstanding fines from the salary of drivers where the transgressor fails to make payment in accordance to the Consequence Management Booklet adopted by council per item 221 of 29 July 2014.
- 16.3 All drivers to ensure that their municipal traffic fines and infringements are paid within one month of them being notified as such,
failing to which the Municipality shall deduct such fines directly from the driver or operator salary the following month.

SECTION 17. DISCIPLINARY PROCESSES AND PROCEDURE

Transgression in respect of this policy will be dealt with in accordance with the Council's collective agreement on disciplinary code

SECTION 18. LOAD ON VEHICLES

18.1 The load on any vehicle must not exceed the load recommended by the manufactures of the vehicles

18.2 Drivers / operators must familiarize themselves with the maximum load capacity of the particular vehicle

SECTION 19. SMOKING IN A MUNICIPAL VEHICLE

No smoking is permitted in a Municipal vehicle

SECTION 20. SUSPENSION OF EMPLOYEES FROM DRIVING MUNICIPAL VEHICLE

20.1 In the event of a municipal vehicle being or having been subjected to misuse or irregular use, or the vehicle maliciously damaged by the driver; or

20.2 Where evidence exist that a driver is or was guilty of reckless or negligent conduct whilst driving a municipal vehicle, or such vehicle was involve in an accident; or

20.3 Where a driver of a municipal vehicle has been found guilty of driving such a vehicle under the influence of intoxicating liquor or narcotics, or whilst the concentration of alcohol in his or her blood was more than the allowed according to legislation: such driver will be suspended immediately from driving the municipal vehicles until such time a disciplinary tribunal has been concluded.

20.4 In the event of a driver developing any disease or disability which will render him / her incapable of controlling a vehicle effectively and subject to report from the medical practitioner, to the satisfaction of the municipal Manager, he/ she will be suspended temporarily or permanently from driving the municipal vehicle.

SECTION 21. WILLFUL LOSS, DAMAGE OR MISUSE OF MUNICIPALITY VEHICLES AND EQUIPMENT

The willful loss, damage or misuse of Municipality vehicles and equipment is unacceptable and will lead to prosecution.

SECTION 22. AMENDMENT OF POLICY

This policy can only be amended by Council and will be renewed annually

PRESCRIBED FORMS TO BE COMPLETED

FORM NO.	DESCRIPTION	PAGE
(TR1)	REQUEST FOR OFFICIAL TRANSPORT	22 -23
(TR 1.1)	REQUEST FOR OFFICIAL TRANSPORT & DRIVER	24-25
(TR2)	AUTHORITY FOR TRIP OUTSIDE THE AREA OF JURISDICTION	26-27
(TR3)	AUTHORITY AFTER NORMAL WORKING HOURS	28-30
(TR4)	DAILY PRE & POST CHECK LIST	31-32
(TR6)	VEHICLE LOGBOOK	33
(TR7)	VEHICLE DEFECTS	34
(TR8)	SPECIAL PERMISSION - OUTSIDE PERSONNEL	35
(TR9)	MONTHLY VEHICLE MACHINE RETURN	36-37

FORM TR1
RUSTENBURG
LOCAL MUNICIPALITY



REQUEST FOR OFFICIAL TRANSPORT AND DRIVER

I have been invited/ delegated to attend _____

at _____ (place) at _____ (time) on _____ (date)

and request that official transport be made available for this purpose.

Please select from the following options (if applicable):

Airport Drop-off: Lanseria ☐ Date _____ Time _____

Airport Collect: Lanseria ☐ Date _____ Time _____

Airport Drop-off: OR Tambo ☐ Date _____ Time _____

Airport Collect: OR Tambo ☐ Date _____ Time _____

A copy of the agenda/invitation is attached.

The following passenger/s will accompany me:

_____	_____
_____	_____
_____	_____
_____	_____

The vehicle is requested from _____(time) on _____(date)
until _____(time) on _____(date) _____

Signature (Applicant)

Date

UNIT MANAGER:

Date

DIRECTOR:

Date

APPROVAL

The above-mentioned trip is hereby authorized/declined
FOR OFFICE USE ONLY

Reason for declining:

Vehicle Make:

Vehicle Registration Number:

ADMINISTRATOR: FLEET

Date

FORM TR1.1

RUSTENBURG
LOCAL MUNICIPALITY



REQUEST FOR OFFICIAL TRANSPORT AND DRIVER

(Portfolio Committees, Mayoral and Council)

Name of Applicant _____

Please tick the appropriate box:

Attending Portfolio Committee ☐

Attending Mayoral Committee ☐

Attending Council Meeting ☐

Delivering of Agenda ☐

Indicate which portfolio or committee/ _____

at _____ (place) at _____ (time) on _____ (date)

and request that official transport be made available for this purpose.

A copy of the agenda/invitation is attached.

The following passenger/s will accompany me:

_____	_____
_____	_____
_____	_____
_____	_____

The vehicle is requested from _____ (time) on _____ (date)
until _____ (time) on _____ (date) _____

Signature (Applicant)

Date

UNIT MANAGER: ADMIN SUPPORT

Date

APPROVAL

The above-mentioned trip is hereby authorized/declined

Reason for declining:

ADMINISTRATOR: FLEET

Date

FOR OFFICE USE ONLY

Driver

Vehicle Make:

Vehicle Registration Number:

FORM TR2
RUSTENBURG
LOCAL MUNICIPALITY



AUTHORITY FOR TRIP OUTSIDE THE AREA OF JURISDICTION

Authority is hereby requested for the under-mentioned person(s) to undertake a trip outside the jurisdiction of the Rustenburg Local Municipality. The following particulars are submitted:

NAME OF DRIVER:

Vehicle Make:	Registration Number:
Directorate:	Unit:

NAME(S) OF PASSENGER(S):
--

DESTINATION:

Town/City	
Company or Institution	
Purpose of Visit	

DEPARTURE

Date:	Time:
-------	-------

RETURN

Date:	Time:
-------	-------

Signature (Applicant)

Date

Unit Manager:

Date

Director:

Date

Fleet Administrator:

Date

FORM TR3

RUSTENBURG LOCAL MUNICIPALITY



AUTHORITY TO USE OFFICIAL VEHICLE

**THIS AUTHORISATION FORM MUST BE IN THE POSSESSION OF THE DRIVER OF
ANY OFFICIAL VEHICLE WHICH IS USED AFTER NORMAL WORKING HOURS**

Full Names of the Driver: _____

Designation: _____

Destination/Area in which Vehicle will be used: _____

Purpose of the trip: _____

Registration Number of Vehicle: _____ Vehicle Make: _____

This request is for the period: from _____ to _____

Note: Only officials and Councillors of the Rustenburg local Municipality may be transported in Municipal vehicles.

Authorization for use of vehicle after hours	
UNIT MANAGER	
Signature	Date

Authorization for use of vehicle after hours	
DIRECTOR	
Signature	Date

Authorization for use of vehicle after hours	
FLEET ADMINISTRATOR	
Signature	Date

APPROVAL: OVERNIGHT PARKING OF MUNICIPAL VEHICLES (if required)

Tick applicable box

		Yes	No
1.	Will the vehicle be returned to their designated parking after official trip?		
2.	Vehicle will be parked at private residence		
3.	If parked at private residence, does the employee have a lockable garage?		
4.	In the event where the employee does not have a lockable garage, will the vehicle be parked behind a locked gate/fence?		

Vehicle Make: _____ Registration Number of Vehicle: _____

Address where vehicle will be parked overnight:

RECOMMENDED/NOT RECOMMENDED

UNIT MANAGER

DATE

APPROVED/NOT APPROVED

DIRECTOR

DATE

FLEET ADMINISTRATOR

DATE

FORM TR4

RUSTENBURG LOCAL MUNICIPALITY



DAILY PRE & POST CHECK LIST

This form must be completed by the driver/operator while physically checking the following daily. All defects must be reported **IMMEDIATELY**. This form must be handed over to the Fleet Manager daily.

Directorate: _____ Unit: _____ Km Reading: _____

Reg. No: _____ Fleet No: _____ Date: _____

ITEM	Ok	Fault
Windscreen, wipers & all windows		
Wheel rims & nuts		
Tyre condition, pressure & treads		
Rear view mirrors		
Body work / scratches & dents		
Head & park lights		
Tail & stop lights		
Indicators		
Emergency lights		
Reverse lights		
Engine oil level		
Transmission oil level		
Hydraulic oil level		
Power steering oil level		
Battery water level		
Coolant level		
Cooling fan		

V-belts		
Water hoses		
Fuel lines		
Oil leaks		
Interior/cab		
Panel instruments		
Sufficient fuel		
Hooter		
Brakes/handbrake		
Hydraulic equipment & controls		
Pneumatic equipment & controls		
Speedometer/hour meter		
Emergency triangle		
Jack and wheel spanner		
Drain air tanks		
Fleet Policy received & briefing done		
COMMENTS:		
Driver's name:		Fleet Manager signature:
Next service Km reading:		



**RUSTENBURG LOCAL MUNICIPALITY
LOG BOOK**

REG NO.....

MODEL.....FROM.....

DIVISION.....MONTH.....

LAST KM READINGS	
CURRENT READINGS	
TOTAL KM READINGS	

DATE	KM READING	START TIME	REASON FOR TRIP	NO. OF PASS	DRIVERS NAME	SUPERVISOR;S SIGNATURE	PETROL DATE	AMOUNT	LITRES	OIL	KM TRAVEL	TIME ENDS
	TOTAL											
											Petrol in tank beginning	
All the trips undertaken were necessary for the benefit of Rustenburg Municipality											Petrol in tank end	
											Km per litre	

DRIVERS SIGNATURE.....DATE.....

SUPERVISOR'S SIGNATURE.....

FORM TR7
RUSTENBURG
LOCAL MUNICIPALITY



DRIVERS REPORT OF VEHICLE DEFECTS

This form must be used only to report defects. It must be completed by the driver and his foreman IMMEDIATELY on return from trip and must be handed over to the Vehicle Workshop IMMEDIATELY

No verbal reports

Date: _____

Driver's Name: _____

Directorate: _____ Vehicle Make: _____

Vehicle registration number: _____ Fleet number: _____

DEFECTS: _____

Driver's signature: _____

Foreman's signature: _____

For office use.

Date: _____

Artisan's name: _____ Signature: _____

Workshop Foremen's signature: _____

RUSTENBURG LOCAL MUNICIPALITY



SPECIAL PERMISSION TO DRIVE A MUNICIPAL VEHICLE

This form serves as a permit to drive a Municipal vehicle by a private person.

No private person is allowed to drive a Municipality vehicle without this permit in his possession.

Name of Institution / Workshop: _____

Name of Driver: _____ Signature: _____

Reason: _____

Vehicle Registration: _____

Division: _____

Motor No: _____

Date issued: _____

Date Returned: _____

Fleet Manager/Transport Inspector: _____

Signature: _____

The Fleet Manager or Vehicle Inspector or Workshop Superintendent can be contacted at the following telephone number for confirmation of this permit. – 014 590 3187/3570

This form is the property of the Municipality and it must be returned to the Municipality with the vehicle.

FORM TR9

RUSTENBURG LOCAL MUNICIPALITY



MONTHLY VEHICLE/MACHINE RETURN

[TO BE SUBMITTED TO VEHICLE WORKSHOP BY THE 15TH OF THE FOLLOWING MONTH]

REG No: _____

FLEET No: _____

MONTH: _____

DIRECTORATE:

VEHICLE/MACHINE

DETAILS:

Date	Km/Hour Meter		Km traveled	Hours worked	Hours Lost			OILS USED/LITRES				
	a.m	p.m			Repair	Rain	Not used	Eng	Trmsn	Diff	F.Dr	Hydr

PROCEDURE FOR REPLACEMENT/RENEWAL/SCRAPPING OF VEHICLES
TECHNICAL AND INFRASTRUCTURAL SERVICES: MECHANICAL ENGINEERING
FLEET MANAGEMENT UNIT

Introduction

The following procedure is to be adhered to for replacement/renewal/scrapping of Municipal vehicles & plant.

It is envisaged that vehicles/plant be renewed at the following intervals when funds permit:

Public Safety	Every 3 years (90 000km/ Maintenance Plan / or whichever comes first)
All passenger vehicles	Every 5 years (150 000km whichever comes first)
All light commercial vehicles	Every 5 year (150 000km whichever comes first)
Vehicle of the Executive Mayor	Every 5 years (Start of a term/120 000km / Maintenance plan / or whichever comes first)
Light commercial trucks up to 5 ton capacity	Every 5 years (150 000km whichever comes first)
Heavy commercial trucks 6-8 ton capacity	Every 7 years
Heavy commercial trucks 9-12 ton capacity	Every 10 years
Yellow Fleet or earth moving machines	Every 15 years

Before embarking on renewing a vehicle/plant, the Fleet Manager must consider the following aspects:

- Has a capital budget been processed for the purchase of vehicles/plant (vehicles/plant can only be acquired through the Capital Budget)
- If a capital budget is recorded, has it been approved?
- Establish the following information on the capital budget:
 - Full description
 - Project Identification number
 - Project Vote Number
 - Amount of funds approved.

The above information is obtained from the Budget & Treasury Directorate.

Only when above aspects have been investigated and confirmed, can the next phase be introduced namely replacement/renewal/scrapping of vehicles/plant.

Implementation of replacement/renewal/scrapping of vehicles/plant

It is standing practice when provision of funds is available to renew vehicles/plant at the beginning of the financial year. However, before renewing the fleet, the Fleet Manager has to perform the following tasks at least 3 months prior to the advertisement of the Bid to Procure Municipal Vehicles / plant:

- Study the Municipal Fleet Master schedule and identify the oldest vehicles by year, model, type and condition.
- Prepare a schedule of vehicles/plant to be replaced.

On completion of the above schedule, copies of it to be circulated to the following office bearers to monitor and limit major expenses on vehicles/plant identified to be replaced:

- Head: Mechanical Engineering Services
- Administrator; Fleet Management Services
- Vehicle Workshop Superintendent
- Fleet Inspectors
- Asset Management & Procurement Controller

The Fleet Inspector must arrange with Fleet Administrator, Workshop Superintendent and Fleet Manager for the vehicles/plant listed in above schedule to be called to the workshop for full mechanical assessments to be carried out and completed at least 2 months prior to beginning of the new financial year. The Fleet Inspector then issues the completed mechanical assessment documents to the Head Mechanical Engineering Manager for evaluation.

Head Mechanical Engineering Manager must evaluate and consider the following aspects of the mechanical assessment before a decision is made to replace/renew the unit:

- Mechanical condition rating for each category
- Total repair cost
- Odometer reading
- Year model and full age
- Trade value less repair cost = assessed value
- Note remarks on overall economical condition of the unit.

After considering the above aspects, he/she must determine which vehicles are to be replaced/renewed by type, quantity, total cost to renew versus funds available. The decision to replace by quantity and type will depend on user requirements and cost. Please note that the authorized Capital Budget shall not be exceeded.

He/she then prepares a Bid: document including the Technical specification (as requested) for the type of vehicle/plant to be replaced. Once the Bid document and specification is completed a meeting is arranged with the Specification Committee to consider and approve it.

At closing date of advertised contract/tender enquiries, the following have to be done:

- Collect all tender offers from Procurement Directorate ~~Office~~
- Assess all tender offers received for correct details, documents and that the offer meets the specification as required.
- Identify all tender offers that meets the specification.
- Tender offers not meeting the specification are not to be considered, although they are included in the spreadsheet and reasons why they are not considered must be part of the item that is prepared for the evaluation committee.
- Prepare an item of all offers received and list deviations from specifications. The tenderers are ranked according to their price offers which includes options submitted (lowest to highest)
- Draft the committee item and make annexures of all the required documents to be considered
- When the item is correct and complete, it is sent to the Procurement Directorate ~~Office~~ Office for circulation to the various role players that has an interest in it.
- After the evaluation committee has approved the item and offers, it is to be included in the agenda for the Adjudication Committee
- On receiving approval from the Adjudication Committee, he/she can prepare the acceptance letters of appointment to the successful bidder for the purchase of the unit/s. Once the letter is checked for correctness and signed by the Municipal Manager it can be posted to the successful bidder.

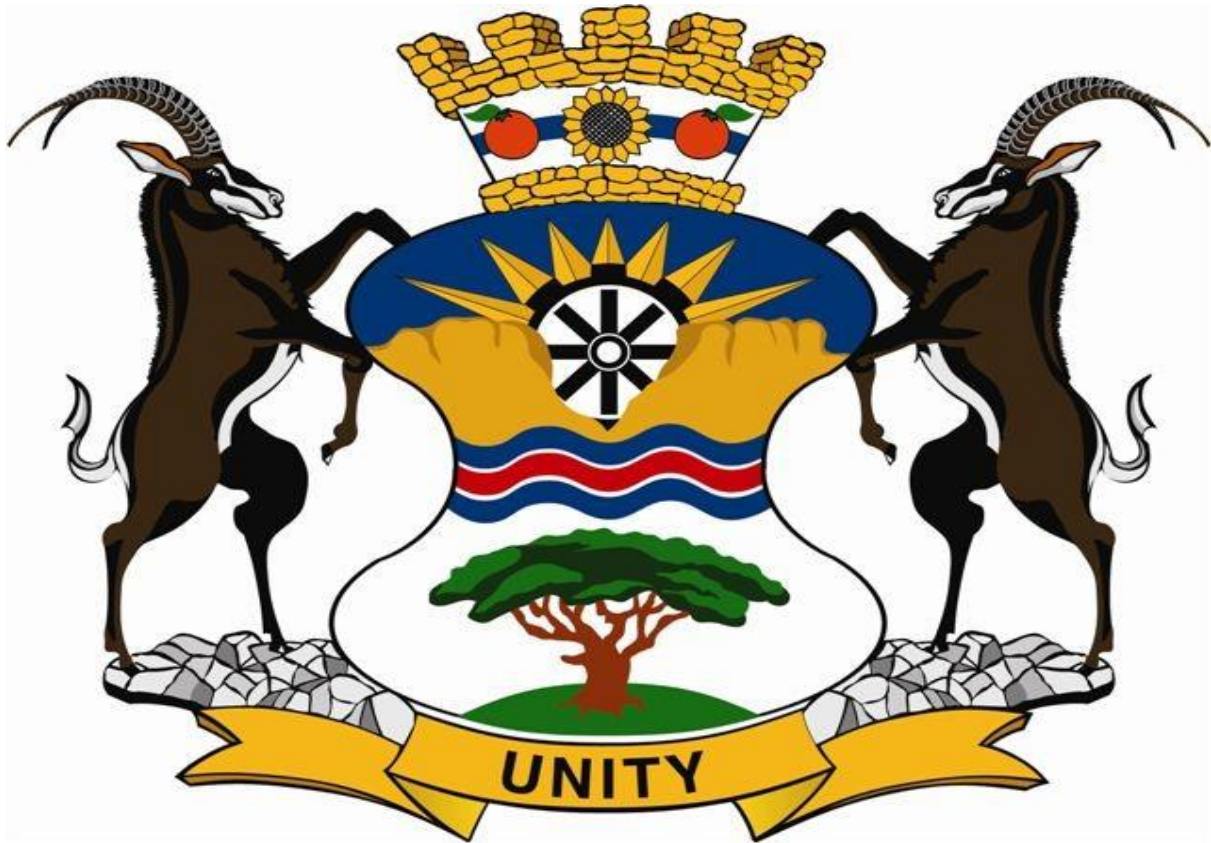
The Fleet Manager can now formally request the Budget & Treasury to arrange a public auction in order to dispose of the “Replaced” vehicles. The request must reflect the following information regarding each vehicle that will be disposed of during the auction:

- Fleet Number
- Type of vehicle
- Year model
- Estimated value (guideline of reserve value)
- Committee date of approval to “scrap”
- Vote to be credited

The Budget & Treasury determines a date for the public auction and advertises as such in various newspapers the intension of the said auction. Prior to the actual auction, the vehicles to be auctioned will be re-assessed by the Fleet Inspector/s in consultation with the Fleet Manager in order to establish the final “reserve” value of the vehicles. The vehicles/plant are released for auction after completion of the required documentation and then auctioned and the proceeds gained are then credited to the relevant Votes.

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RUSTENBURG LOCAL MUNICIPALITY



FUNDING AND RESERVES 2018/2019

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1. INTRODUCTION

The purpose of this policy is to ensure that municipality maintains cost effective and efficient cash funding

To ensure that provisions and reserves are maintained at the sufficient required level to avoid future unfunded liabilities.

The policy is in line with the requirements of Section 8 of the Local Government: Municipal Budget and Reporting Regulation of 2009 (Government Gazette 32141 in order to monitor and sustain the municipality's financial management.

2. PURPOSE OF THE POLICY

2.1. The policy outlines the assumptions and methodology to be followed on estimating the following:

- 2.1.1. Anticipated revenue to be collected based on trading services to be billed and other revenue,
- 2.1.2. Provision for debt impairment based on the previous payment levels and past trends
- 2.1.3. Setting of cost reflective tariffs in relation to the consumers affordability
- 2.1.4. In line with the municipality's borrowing requirements
- 2.1.5. To ensure that funds are set aside monthly to fund reserves

3. GUIDING PRINCIPLES

3.1. The funds and reserve policy is based on the following principles:

3.1.1. Credibility

- The SDBIP be informed by the budget that is consistent with the IDP
- Financial viability of the municipality not to be compromised
- To ensure capability to spend funds allocated

3.1.2. Sustainability

- Ensure financial viability of the municipality
- Anticipated revenue to be collected and anticipated spending to be realistic

3.1.3. Responsiveness

- The budget to be responsive to the needs of the community
- Alignment of budget, LED Strategy with IDP to give effect to the provincial and national priorities
- The budget to respond to the municipal economic growth objectives and socio economic needs of the community.

3.1.4. Affordability

- Tariff setting to take into account local economic conditions and ability of consumers to pay in relation to the cost of rendering the services

4. BUDGET ASSUMPTIONS AND METHODOLOGY

4.1 Funding the Annual Budget

- An annual budget may be funded from realistically anticipated revenues to be collected
- From the cash-backed accumulated surpluses from previous years not committed for any other purpose
- Borrowed funds earmarked to only fund the capital budget.
- Anticipated grants allocated to the municipality as gazetted for in the Division of Revenue Act (DORA).

4.2. Capital Budget

Capital budget provides funding for the municipality's capital programmes based on the needs identified by the community and the municipal objectives as outlined in the Integrated Development Plan of the municipality.

4.2.1. Basis of calculation

- The Zero based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that will span over more than one financial year.
- Provisions on the capital budget shall be limited to the available financial resources and affordability.
- The annual budget shall be based on realistically anticipated revenue.
- Funds to be available (liquid cash) prior to budgeting
- Loans/ borrowing to be taken prior or be available prior to budgeting and must be equal to the anticipated capital expenditure.
- The impact of the capital budget on current and future operating budgets in terms of financial charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being compiled.
- In addition, council shall consider the likely impact of such operational expenses-net of any revenues expected to be generated by such item-on future property rates and services tariffs.

4.2.2. Funding of the Capital Budget

The capital budget shall be funded from the following:

4.2.2.1. Own Funding Sources

- The Council shall establish a Cash Replacement Reserve (CRR) for capital renewal, replacement and acquisition.
- Such reserve shall be established from unappropriated cash-backed accumulated surpluses

4.2.2.2. Amounts appropriated as contributions in each annual or adjustment budget

4.2.2.3. Public contributions, donations or other grants

4.2.2.4. Grants and subsidies allocated in the annual Division of Revenue Act

4.2.2.5. Grants and subsidies allocated by provincial government

4.2.2.6. Net gains on sale of fixed assets in terms of the fixed assets management and accounting policy

4.2.2.7. External loans/borrowings

4.2.2.8. Any other financing source secured by the municipality

4.2.3 Guiding principles on capital budget funding

4.2.3.1 Government grants and subsidies:

- Only gazetted allocations or transfers as reflected in the Division of Revenue Act or allocations per provincial gazette may be used to fund projects
- Conditions of the specific grant as allocated per projects must be taken into consideration.

4.2.3.2. Public contributions or donations/grants

- Capital projects will only be included in the annual budget if funding is guaranteed by means of the following:
 - I. A signed service level agreement
 - II. A contract or written confirmation
 - III. Or any legally binding document

4.2.4. Borrowing requirements

4.2.4.1. The borrowing requirements are used as a basis for determining the affordability of external loans over the Medium term and expenditure Framework. The ratios to be considered when taking up new loans/borrowings include the following:

- I. Long term credit rating of at least BBB
- II. Interest cost to total expenditure not to exceed 9%
- III. Long –term debt to revenue (excluding grants) not to exceed 50%
- IV. Consumers payment rate of above 95%
- V. Percentage of capital charges to operating expenditure of less than 15%

4.2.5. Cash-backed accumulated Reserves (CRR)

- Capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc, shall be funded from own operating revenue of the same financial year.
- Capital projects to replace upgrade existing assets will be funded from CRR
- Infrastructure projects to service new developments and revenue received from sale of erven must be allocated to capital reserve for services
- Capital projects to upgrade bulk services will be allocated to the Capital Bulk Contributions Reserve for each services (electricity, water, sewerage)

4.3. Operating Budget

4.3.1. Basis of calculation

The operating budget provides funding to directorates for their medium term planned expenditure.

- The incremental approach is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances the zero based method will be followed.
- The annual operating budget shall be based on realistically anticipated revenue to be collected, which should cater for total anticipated spending in accordance with Section 18 of MFMA no 26 2003
- NB: Amounts for provision of depreciation and debt impairment, although non-cash items are not to be used to “balance” the operating budget shortfalls.

4.3.2 Assumptions for various budget categories

The municipality categorizes services rendered to the community according to its revenue generating capabilities as follows:-

- 4.3.2.1 Trading services (services that should generate predetermined surpluses that can be used to fund other services rendered.
- 4.3.2.2 Economic services (services that should at least break-even, but do not necessarily generate any surplus to fund other services rendered by the municipality);

- 4.3.2.3 Rates and general (services that are funded by property rates, government grants or surpluses generated by the trading services).

4.3.3 Funding of the Operating Budget

The operating budget shall be financed from the following main sources of revenue:

4.3.3.1. Property rates

- Property rates levied according to the Municipal Property Rates Act and property rates policy based on the market values
- The budget is compiled using the latest approved Valuation Roll and any supplementary Valuation Roll, consistent with current and past trends
- Property rates tariffs are determined annually as part of the tariff setting process;
- Property rates rebates, exemptions and reductions are budgeted either as revenue foregone or as a grant as per the MFMA Budget circular 51 depending on the conditions thereof;

▪

4.3.3.2. Service charges (electricity, refuse, sanitation, water)

- Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions.
- The following conditions must be considered for each service:-

I. Metered services comprising of electricity and water:-

- The consumption trends for the previous financial years
- Envisaged water restrictions or load shedding where applicable
- Actual revenue collected in previous financial years

II. Refuse removal services

- The actual number of erven receiving service per category
- Actual revenue collected in previous financial years

III. Sewerage service

- The actual number of erven receiving the service per category
- The consumption trends per category
- The actual revenue collected in the previous financial years
- Rebates, exemptions or reduction for service charges are budgeted either as revenue foregone or as a grant as per MFMA Budget Circular 51 depending on the conditions thereof;

4.3.3.3. Government grants and subsidies

- Revenue from government grants and subsidies shall be in line with allocations gazetted in the Division of revenue act and provincial gazettes.

4.3.3.4. Interest on investments

- Interest received from actual long-term and short-term investments shall be based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends

4.3.3.5. Rental fees

- Revenue from rental of property shall be charged based on the percentage growth rate as determined by Financial services for a particular budget year

4.3.3.6. Fines

- Projected revenue for fines shall be charged in terms of the approved tariffs, considering the past trends calculated on

the basis of actual receipts extrapolated over 12 months and expected growth for a particular budget year.

4.3.3.7. Other sundry revenue

- Other projected revenue is charged in terms of the approved sundry tariffs considering the past trends and expected growth for each category

4.3.3.8. Cash –backed accumulated surpluses from previous years not committed for any other purpose.

4.3.4. Guiding principles when compiling the operating budget

- 4.3.4.1. the annual budget must be cash backed
- 4.3.4.2. provision for bad debt must be the difference of the actual payment levels percentage
- 4.3.4.3. growth parameters must be realistic, taking into account current economic conditions
- 4.3.4.4. tariffs adjustments must be realistic, taking into consideration affordability, bulk purchases increases and future projected growth according to the approved Integrated Development Plan
- 4.3.4.5. the tariffs increases should be cost reflective and as far as possible be limited to inflation targeting per budget circulars
- 4.3.4.6. revenue from public contributions, donations or any other grants may only be included in the budget if the following documents are received:-
 - I. a signed service level agreement
 - II. a contract or written confirmation
 - III. or any other legally binding document.

4.3.5. Expenditure Categories

The following assumptions are used when compiling the operating budget spending:-

4.3.5.1. Salaries, wages and allowances

- A detailed salary budget shall be compiled on an annual basis
- Salaries and allowances are calculated based on the percentage increase as per the collective agreement between organized labor and the employer for the particular period
- All funded positions are budgeted for in total
- An additional 2% shall be allocated for filling of new critical positions as per the approved structure
- The remuneration of political office bearers shall be based on the limitations and percentages as determined by the responsible National Minister
- As a guiding principle the salary budget should not exceed 35% of the annual operating budget.

4.3.5.2. Collection Costs

- Will include and not limited to costs attributed to the maintenance of the financial system used for the collection of outstanding amounts based on the service level agreement including commission.

4.3.5.3. Depreciation

- Depreciation shall be budgeted for according to the asset register and to limit the impact of the implementation of GRAP 17 a transfer shall be made from the accumulated surplus
- It shall be calculated at costs, using the straight line method, to allocate the depreciation cost to the residual values over the estimated useful lives of the assets

4.3.5.4. Interest on external borrowing

- It refers to interest and redemption that has to be repaid on external loans taken up by the municipality.
- The budget is determined by the repayments that the municipality is liable for, based on the loan agreement entered into with the other party.

4.3.5.5. Repairs and maintenance

- To ensure the health of the municipal asset base, sufficient provision must be made for the maintenance of the existing infrastructure assets based on affordable levels.
- Infrastructure maintenance costs shall be informed by the maintenance plan for each trading service

4.3.5.6. Bulk purchases

The expenditure on bulk purchases shall be determined using tariffs as stipulated by the Water boards, NERSA and any service provider from time to time.

4.3.5.7. Contributions to funds

Refers to the contributions made to provisions (**e.g. leave reserve funds**) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect

4.3.5.8. Internal charges

- These refer to inter departmental charges within the municipality.
- The performance of each line item is analysed where after the budget is based on the previous years' performance

4.3.5.9. Other expenditure

- Individual line items are to be revised annually when compiling the budget to ensure proper control over the expenditure
 - Increase for these line items shall be linked to the average inflation rate and macro-economic indicators unless a signed service level agreement stipulates otherwise.
 - As a guiding principle repairs and maintenance budget should constitute at least between 5% and 10% of the total operating budget based on the affordability levels
 - The maintenance budget percentage should increase annually be increased incrementally until the required targets are achieved.

4.3.5.10. Appropriations

It refers to the transfers to and from the capital replacement reserve to offset depreciation charges. Appropriations are determined on an annual basis.

5. DEBT MANAGEMENT

- Debt is managed in terms of the Council Credit Control Policy
- Provision for revenue that will not be collected shall be budgeted adequately as an expense and must be based on the projected annual nonpayment for services.

6. BORROWING MANAGEMENT

The borrowing requirements are based on the backlogs of the infrastructure needs taken into consideration the operational impact of any loans

7. CASH MANAGEMENT

- Cash availability shall be closely monitored to ensure a minimum cash days on hand of ninety (90) days for daily operations.
- Surplus cash not immediately required for operation purposes shall be invested in terms of the council's Investment Policy so as to maximize returns on the investments
- Municipality shall implement the inclining block tariffs and time of use tariffs

8. RESERVES

- To ensure that funding is readily available for future development and timeous replacement of aging infrastructure
- Municipality shall create dedicated reserves that are cash-backed all the time
- All reserves to be 'rein-fenced' as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognised Accounting Practice (GRAP).
- The following are the recommended reserves to be re-in fenced and cash backed over a period of time:-

8.1. Capital Replacement Reserve

- The municipality shall establish the capital replacement reserve through contributions from the operating budget
- Once fully established, it shall provide internal funding for municipal capital replacement and renewal programme.
- The reserve shall be cash-backed all the time.

8.2. Bulk Capital Contributions Reserves

- This reserve shall supplement capital expenditure for the necessary expansion and upgrading of bulk infrastructure due to new developments
- Revenue generated through bulk services contributions shall be allocated to this reserve for each applicable service
- The reserve shall be cash-backed all the time

9. PROVISIONS

A provision is recognized when the municipality has a present obligation as a result of a past event and is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

9.1. Provisions shall be revised annually and those settled within the next twelve months are treated as current liabilities.

9.1.1. Leave Provision

10% of the leave provision shall be cash backed-as not all leave balances are to be redeemed for cash at once.

9.1.2. Landfill site rehabilitation Provision

This provision shall be cash-backed to ensure availability of cash for rehabilitation at closure.

9.1.3. Long Services Awards

5% of the long service leave provision shall be cash backed-as not all leave balances are to be redeemed for cash at once.

9.1.4. Post-Retirements Benefits

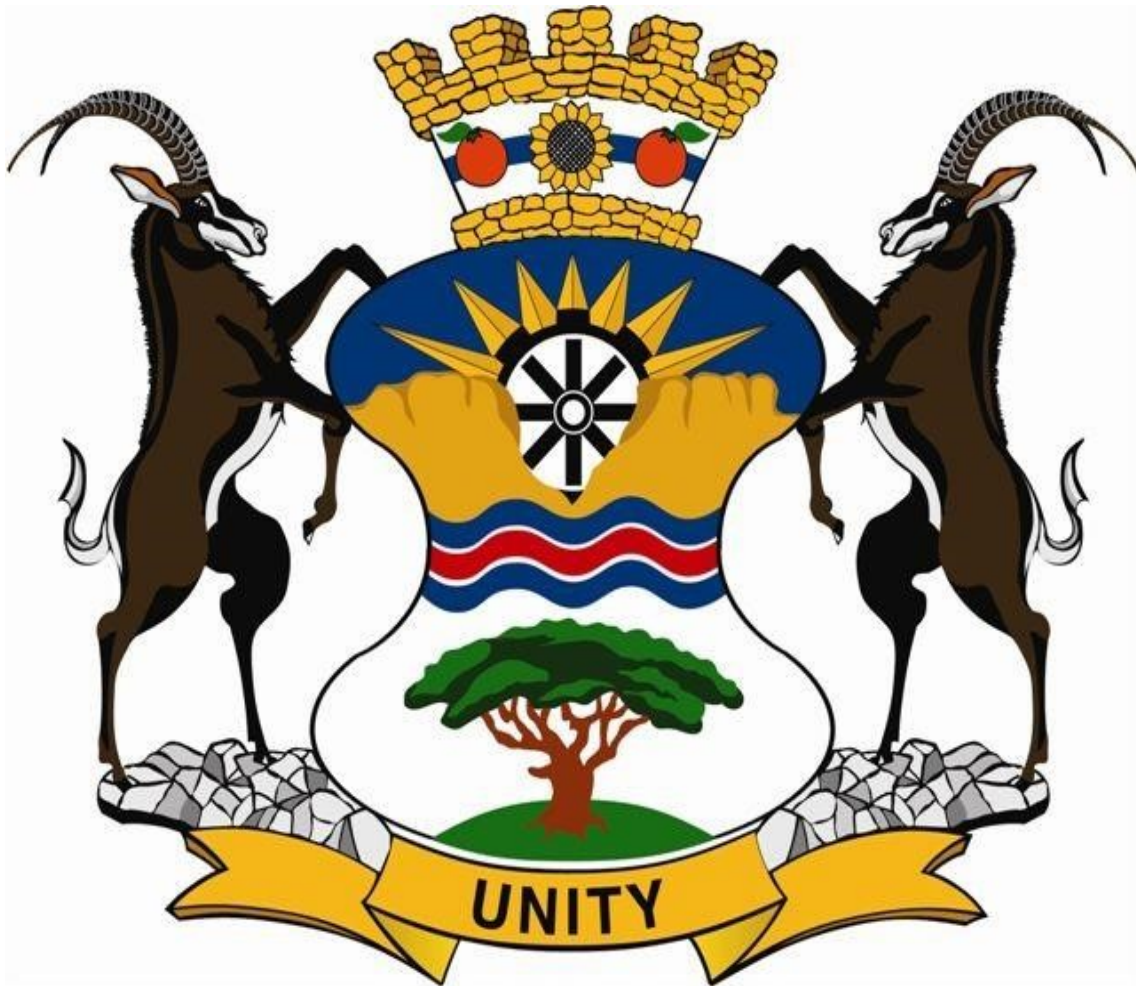
The provision for medical care benefits to qualifying retired employees shall be cash backed to ensure the availability of cash for the payment of medical aid payments

10. IMPLEMENTATION AND REVIEW OF POLICY

- This policy shall be implemented once approved by Council
- To be implemented with effect from the 1st July 2017
- Shall be reviewed on an annual basis and tabled with other budget related policies as part of the budget process when circumstances warrant that to ensure that it is in line with the municipality's strategic objectives and legislation

RUSTENBURG

LOCAL MUNICIPALITY



INDIGENT POLICY

P R E A M B L E

- (1) **WHEREAS** the provision of free basic municipal services by a Municipality is part of the broader social agenda and anti-poverty strategy of the South African Government, the Rustenburg Local Municipality (hereafter “the Municipality”), must give priority to the basic needs of the community, promote the social and economic 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 of the Republic of South Africa, 108 of 1996 (hereafter the Constitution);
- (2) **AND WHERE AS** a Municipality, as the third sphere of government, therefore has a constitutional duty to assist the National and Provincial spheres of government in the realisation of the abovementioned rights;
- (3) **AND WHEREAS** the key purpose of this Indigent Policy is to ensure that households with no or a lower income level are not denied basic municipal service, and to ensure the sustainability of the rendering of these municipal services to indigent consumers, within the financial and capacity restraints of the Municipality;
- (4) **AND WHEREAS** the Indigent Policy must be maintained for so long as the Municipality is able to, without compromising the financial stability and functioning of the Municipality;
- (5) **AND WHEREAS** it is of importance to set appropriate and sustainable threshold levels and subsidies of tariffs for indigent consumers;

- (6) **AND WHEREAS** the Municipality requires qualifying indigent consumers to register as such and to agree to the terms, conditions and restrictions of the Municipality by completing the Municipality's application documentation;

NOW THEREFORE, the Council adopts the following Indigent Policy.

THE RUSTENBURG LOCAL MUNICIPALITY: INDIGENT POLICY

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CHAPTER 1

INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words and expressions to which a meaning has been assigned in terms of the provisions of the Systems Act, the MFMA, the Credit Control & Debt Collection Policy and By-law, the Tariff Policy and By-law, as well as the Rates Policy and By-law of the Municipality, will have a corresponding meaning assigned thereto in terms of such policies or by-laws. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“annual budget”	Means the budget approved by the Council for any particular financial year, and shall include any adjustments to such a budget.
1.2	“annually”	Means once every financial year.
1.3	“applicant”	Means the person applying to the Municipality to be afforded the status of a Registered Indigent in terms of this policy.
“B”		
1.4	“basic municipal service”	Means a municipal service necessary to ensure an acceptable and reasonable quality of life, which service, if not provided, would endanger public health or safety or the environment.
“C”		
1.5	“Chief Financial Officer”	Means the person appointed by the Council and designated by the Municipal Manager to manage the financial

		administration of the Municipality and who remains directly accountable to the Municipal Manager as contemplated in terms of the provisions of section 80(2)(a) read with section 1 and section 81 of the MFMA.
1.6	“child”	Means a minor person.
1.7	“Constitution”	Means the Constitution of the Republic of South Africa, 108 of 1996.
1.8	“consumer”	Means a person or entity consuming or receiving municipal services, and may include a customer or a tenant of a customer irrespective of whether such a person has concluded a service agreement with the Municipality, and may also include a person who illegally and unlawfully connected to the municipal services infrastructure or who illegally and unlawfully gained access to or usage of the municipal services.
1.9	“Council”	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.10	“Credit Control & Debt Collection Policy” and “Credit Control & Debt Collection By-Law”	Means the Credit Control and Debt Collection Policy as adopted by the Council of the Municipality and the Credit Control & Debt Collection By-Law adopted in terms of the provisions of section 96 and section 98 of the Systems Act.
1.11	“customer”	<p>Means the owner of the premises or in exceptional circumstances a tenant, and includes a person or entity liable to the Municipality for the payment of tariffs, levies, fees and municipal consumption charges in terms of a service agreement concluded with the Municipality, and may include a person who applied to the Municipality to become a Registered Indigent in terms of this policy, and who is not the owner of the premises, but who is:</p> <p>(a) the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or</p>

		<p>(b) the party to whom the residential property is awarded in the event of a divorce; or</p> <p>(c) where a deceased estate has not been wound up:</p> <p>(i) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or</p> <p>(ii) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir; or</p> <p>(iii) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or</p> <p>(iv) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate;</p> <p>and who simultaneously with the application for indigent support in terms of this policy, applied for the provision of municipal services in terms of the Credit Control & Debt Collection Policy and By-Law of the Municipality to be granted an account and to conclude a service agreement with the Municipality, and whose application has been approved by the Municipality, and as such has concluded a service agreement with the Municipality.</p>
“D”		
1.12	“deemed indigent”	<p>Means individuals who live together in a single residential property and qualifies for indigent relief based on the use and value of property as determined in terms of general valuation roll.</p> <p>A deemed indigent means an individual whose property value does not exceed R150 000.00 or</p>

		Who has a total house hold income not exceed that of a registered indigent according to data available to the municipality.
“E”		
1.13	“equitable share”	Means an allocation made by the National Government during a financial year, in its fiscal allocation, gazetted through the Division of Revenue Act (hereinafter “the DORA”), in order to assist municipalities to fund various expenses including expenses such as free basic services.
“F”		
1.13	“free basic alternative energy”	Means any other form of basic energy excluding electricity (including solar home system) deemed necessary to support basic energy needs of an indigent household as determined from time to time, and funded by the Government.
1.14	“free basic electricity”	Means a limited amount of free electricity deemed necessary to provide basic services as determined and funded by the National Government.
1.15	“free basic sanitation”	Means the prescribed minimum standard of services rendered to households including informal households, necessary for the safe, hygienic and adequate collection, removal, disposal or purification of human excreta, domestic waste-water and sewage prescribed in terms of the Act, under regulation 2 of Government Notice GN R509 in Gazette Notice 22355 of 8 June 2001 or as amended from time to time, or any substitution for that regulation;
1.16	“free basic water supply”	Means the prescribed minimum standard of water supply services necessary for the reliable supply of sufficient quantity and quality of water to household including informal households to support life and personal hygiene, prescribed in terms of the Act under regulation 3 Government Notice GN R509 in Gazette

		Notice 22355 of 8 June 2001, as amended from time to time, or any substitution for that regulation.
1.17	“financial year”	Means the period starting from 1 July in any year and ending on 30 June of the following year.
“H”		
1.18	“household”	Means the total number of persons who permanently reside in and occupy a single premise for residential purposes.
“I”		
1.19	“Indigent Household”	Means a household headed by a Registered Indigent.
1.20	“Indigent Management System”	Means the system consisting of designated officials of the Municipality supported by an electronic management system, equipped and designated to process applications for indigent support and used by the Municipality for the management of the Indigent Register.
1.21	“Indigent Policy “or “this policy”	Means the Indigent Policy, adopted by the Council of the Municipality.
1.22	“Indigent Register”	Means a record of the Registered Indigents established and maintained by the Municipality as per the provisions of this policy.
1.23	“indigent support”	Means the financial and other support, discounts, subsidies and assistance which the Municipality renders to Registered Indigents and households headed by Registered Indigents.
“M”		
1.24	“Municipal Finance Management Act” or “MFMA”	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 and the regulations promulgated in terms of this act.
1.25	“Municipal Manager”	Means the Municipal Manager of the Municipality appointed in terms of the provisions of section 54A of the Systems Act and as referred to in the definition of “Accounting Officer” in section 1 of the MFMA, and also referred to in section 60 of the MFMA, and includes a person acting as an Accounting

		Officer, or the person to whom the Accounting Officer has delegated his/her authority to act.
1.26	“Municipality”	<p>Means the RUSTENBURG LOCAL MUNICIPALITY (also referred to as “the RLM”) a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: the Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <ul style="list-style-type: none"> (a) its successor in title; or (b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality’s duties, functions and powers; or (c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.
1.27	“Municipal Property Rates Act” or “MPRA”	Means the Local Government: Property Rates Act, Act 6 of 2006 and the regulations promulgated in terms thereof.
1.28	“municipal service” or “services”	<p>Means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether:</p> <ul style="list-style-type: none"> (a) such service is provided or to be provided by the Municipality through an internal mechanism contemplated in section 76; and (b) fees, charges or tariffs are levied in respect of such service or not.

1.29	“municipal tariff” or “tariff”	Means a fee, charge or tariff for services which the Municipality may set for the provision of a municipal service to the local community, and includes a surcharge on such fee, charge or tariff.
“O”		
1.30	“occupier”	Means any person who occupies premises or part thereof, without taking cognisance of the title under which he or she occupies the premises, and occupant has a corresponding meaning.
1.31	“owner”	<p>Means:</p> <ul style="list-style-type: none"> (a) the person in whose name the property is registered; (b) in the case where the person in whose name the property is registered, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuary, servitude holder or any other duly authorised or appointed representative; (c) in the case where the Municipality or service provider is unable to establish the identity of such person, the person who is entitled to derive benefit from the property or any buildings thereon; (d) in the case of a lease agreement entered into for a period of 30(thirty) years or longer, or for the natural life of the lessee or any other person mentioned in the lease, or is renewable from time to time at the will of the lessee indefinitely or for a period of periods which, together with the first period of the lease, amounts to 30 (thirty) years, the lessee or any other person to whom he has ceded his right, title and interest under the lease, or gratuitous successor to the lessee; (e) In relation to:

		<ul style="list-style-type: none">(i) a piece of land delineated on a sectional title plan and which is registered in terms of the Sectional Title Act, Act 95 of 1986, without limiting it to the developer or body corporate of the common property;(ii) a section as defined in the Sectional Title Act, Act 95 of 1986, the person in whose name that section is registered in terms of a “sectional title deed”, including the lawfully appointed representative or agent of such person; <p>(f) any legal entity including but not limited to:</p> <ul style="list-style-type: none">(i) a company registered in terms of the Companies Act, Act 61 of 1973, a trust inter vivos, trust mortis causa, a close corporation registered in terms of the Close Corporation Act, Act 69 of 1984 and any voluntary organisation;(ii) any provincial or national government department, or local authority;(iii) any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and(iv) any embassy or other foreign entity in whose name the property is registered; <p>(g) in relation to property owned by the Municipality and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and</p> <p>(h) in relation to property owned by or under the control or management of the Municipality while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.</p>
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“P”		
1.32	“premises”	Means any property or any building or structure above or below ground levels on property and may include any vehicle, aircraft or vessel.
1.33	“prepayment meter”	Means a meter whereby payment for municipal services is first made elsewhere and credit is transferred to such meters by means of a token or coded number or credit card or other means and such meter is programmed and dispenses pre-purchased municipal services as it is consumed by the consumer at a predetermined rate or charge.
1.34	“Programme Officer”	Means an official duly authorised by the Municipality, or an employee of a service provider appointed by the Municipality, who is responsible to ensure that an assessment, screening and site visits are undertaken and for recommending applicants for approval to receive indigent support.
1.35	“property”	<p>Means:</p> <ul style="list-style-type: none"> (a) immovable property registered in the name of a person/owner including in the case of a sectional title scheme, a sectional title unit registered in the name of any person/owner; (b) a right registered against immovable property in the name of a person excluding a mortgage bond registered against the property; (c) any piece of land, the external surface boundaries of which are delineated on: <ul style="list-style-type: none"> (i) a general plan or diagram registered in terms of the Land Survey Act, Act 9 of 1927 or in terms of the Deeds Registries Act, Act 47 of 1937 or; (ii) a sectional plan registered in terms of the Sectional Titles Act, Act 95 of 1986; <p>which is situated within the area of the Municipality;</p>

		<p>(d) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or</p> <p>(e) public service infrastructure.</p>
“R”		
1.36	“rates”	Means a municipal rate on property levied in terms of the provisions of section 229(1)(a) of the Constitution and section 2(1) of the MPRA.
1.37	“Rates Policy”	Means the Rates Policy of the Municipality as adopted by the Municipality in terms of the provisions of section 3(1) of the MPRA.
1.38	“Registered Indigent”	Means a person, qualifying to be registered as an indigent in terms of this policy, who has applied to the Municipality in terms of this policy to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent in the Indigent Register or any persons deemed to be an indigent by the municipality.
“S”		
1.39	“service agreement”	Means the written agreement concluded between the Municipality and a customer for the provision of municipal services to premises once the Municipality has approved the customers’ official application form for the rendering of such services to the customer and which contains the terms and conditions upon which the Municipality will render such services to the customer.
1.40	“Structures Act”	Means the Local Government: Municipal Structures Act, Act 117 of 1998 and the regulations promulgated in terms thereof.
1.41	“subsidised services”	Means the municipal services, the costs of which are either subsidised in full or in part by the Municipality.
1.42	“Systems Act”	Means the Local Government: Municipal Systems Act, Act 32 of 2000 and the regulations promulgated in terms thereof.

“T”		
1.43	“Tariff Policy”	Means the Tariff Policy of the Municipality adopted in terms of the provisions of section 74(1) of the Systems Act.
1.44	“Tariff Schedule”	Means the schedule containing details pertaining to the levels and application of the various fees, charges or tariffs as approved by the Council from time to time.
1.45	“tenant”	Means a person who is entitled to the use and enjoyment of premises for the payment of rent as a result of an agreement concluded with a person who has the right to extent such rights regarding the premises.
“V”		
1.46	“Verification Officer”	Means an official duly authorised by the Municipality to assist with the management of applications for indigent support, to visit households and verify the applicant’s application and to recommend that the applicant is either a suitable or not a suitable candidate for approval to receive indigent support.

2. ABBREVIATIONS

In this policy the following abbreviations will be used to signify the meaning or entity as indicated:

CDW	Community Development Worker
DORA	Division of Revenue Act, as enacted at the beginning of April every year
DWAF	The National Department of Water Affairs and Forestry
ESG	Equitable Share Grant
IDP	Integrated Development Plan
kWh	Kilowatt hour
LED	Local Economic Development
MFMA	Local Government: Municipal Finance Management Act, Act 56 of 2003
MIG	Municipal Infrastructure Grant

MPRA	Local Government: Municipal Property Rates Act, Act 6 of 2006
UIF	Unemployment Insurance Fund

3. AIM AND PURPOSE

The aim and purpose of this policy is to ensure that Registered Indigents have access to basic municipal services, to ensure that the subsidy scheme for Registered Indigents forms part of the financial management system of the Municipality and to provide procedures and guidelines for the subsidisation of basic municipal services and tariff charges to the Registered Indigents.

4. TITLE AND APPLICATION

- (1) This policy is known as the Indigent Policy of the Municipality and is applicable to the municipal area of the Municipality.
- (2) This policy revokes all previous policies, decisions and/or *ad hoc* clauses within any other policy, regarding the subject matter of this policy.

5. COMMENCEMENT AND VALIDITY

This policy shall come into full force and effect upon the acceptance thereof by the Council of the Municipality by resolution.

6. RESPONSIBLE AUTHORITY

- (1) The responsible authority for the adoption and implementation of this policy is the Municipality, and where applicable the Council of the Municipality.

- (2) In terms of the provisions of section 62 of the MFMA, the Municipal Manager of the Municipality is responsible for managing the financial administration of the Municipality, and must for this purpose, take all reasonable steps to ensure *inter alia* that the Municipality has and implements:
- (a) The Tariff Policy referred to in section 74 of the Systems Act. Section 74(2)(c) of the Systems Act provides that the Tariff Policy must reflect *inter alia* that indigent households must have access to at least basic municipal services through:
 - (i) tariffs that cover only operating and maintenance cost;
 - (ii) special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of service; or
 - (iii) any other direct or indirect method of subsidisation of tariffs for indigent households.
 - (b) A Credit Control and Debt Collection Policy referred to in section 96(b) of the Systems Act. Section 97(1)(c) of the Systems Act provides that a Credit Control and Debt Collection Policy must provide for the provision for debtors who are Registered Indigents that is consistent with its rates and tariff policies and any national policy on indigents.
- (3) The Chief Financial Officer will ensure that this policy is integrated with the Municipality's financial planning and processes, as well as the taking into account of the effect of this policy in the annual budget of the Municipality.

7. POLICY PRINCIPLES

The Municipality undertakes to promote the following principles regarding this policy:

- (a) the Municipality will ensure that the funding portion designated for free basic municipal services, allocated as part of the equitable share received annually from National Government and other budgetary

provisions, is utilised for the benefit of Registered Indigents only and not to subsidise rates and service charges of those who can afford to pay same;

- (b) the Municipality will link this policy with the Municipality's Integrated Development Plan (IDP), Local Economic Development (LED) initiatives and poverty alleviation programmes;
- (c) the Municipality will promote an integrated approach to free basic municipal service delivery;
- (d) the Municipality will engage the local community in the development and implementation of this policy;
- (e) the Municipality will ensure that any relief and/or support provided in terms of this policy is constitutional, practical, fair, equitable, justifiable and does not amount to unfair discrimination;
- (f) the Municipality will provide indigent support within the available limits of their financial capacity in order not to jeopardise the financial stability of the Municipality or the sustainability of the provision of municipal services to all the customers of the Municipality and the community as a whole;
- (g) the Municipality will review and amend the qualification criteria for indigent support on a regular basis and when necessary;
- (h) the payment of basic municipal services should be affordable to the Registered Indigent; and
- (i) an approved community communications programme, embodying the principles of transparency and fairness, must be implemented in respect of the indigent support programme.

8. POLICY OBJECTIVES

The objectives of this policy are the following:

- (a) to provide basic municipal services to the community in a sustainable manner within the financial and administrative capacity of the Municipality;
- (b) to ensure the financial sustainability of free basic municipal services through the determination of appropriate tariffs that contribute to such sustainability through fair and reasonable cross subsidisation;
- (c) to establish a framework for the identification and management of indigent households, including a socio-economic analysis and an exit strategy to assist the indigent household to escape the burden of indigence;
- (d) to provide procedures and guidelines for the subsidisation of basic municipal services and tariff charges to Registered Indigents;
- (e) to ensure co-operative governance with other spheres of government; and
- (f) to enhance the institutional and financial capacity of the Municipality to implement this policy.

9. LEGISLATIVE FRAMEWORK

This policy is designed and must be implemented within the framework of *inter alia* the following legislation:

- (a) The Constitution;
- (b) The Systems Act;
- (c) The MFMA;
- (d) The Promotion of Administrative Justice Act, Act 3 of 2000;
- (e) The Promotion of Access to Information Act, Act 2 of 2000;
- (f) The MPRA;
- (g) The Water Service Act, Act 108 of 1997 and Regulations thereto; and
- (h) The Waste Act, Act 59 of 2008 and the Regulations thereto

10. POLICIES, STRATEGIES AND GUIDELINES

There are several strategies and guidelines relating to free basic services which compliment this policy and which must be recognised and taken into account in the implementation of this policy, including:

- (a) National Policy on Free Basic Services, National Policy on Free Basic Water, National Policy on Free Basic Electricity, National Policy for the provision of Basic Refuse Removal Services to Indigent Households.
- (b) Free Basic Water Strategy and Guideline prepared by the DWAF.
- (c) Free Basic Sanitation Strategy and Guidelines also prepared by DWAF.
- (d) Guidelines on tariffs for municipal solid waste services prepared by the Department of Environmental Affairs and Tourism.
- (e) Electricity Basic Support Tariff (Free Basic Electricity) Policy, 1 April 2003, prepared by the Department of Minerals and Energy.
- (f) National Policy on Free Basic Alternative Energy, 2007.
- (g) The Property Rates Act, which provides for zero-rating of low value properties up to a value of R15000, thereby ensuring that households on these properties gain access to a package of public services for free.

11. FUNDING

The following internal and external sources of funding are available to the Municipality to provide basic municipal services to Registered Indigents:

- (1) Internal Sources:

- (a) Cross subsidies generated from the netted trading surplus from Trading Services or Economical Services, as referred to and categorised in terms of the Tariff Policy of the Municipality.
 - (b) The core administration revenue of the Municipality which include revenue generated by *inter alia* property rates.
- (2) External sources:
- The national fiscus, through the Equitable Share Grant (ESG) and Municipal Infrastructure Grant (MIG). This amount may be varied on a yearly basis according to the new allocation for a particular financial year.

12. TARGETING OF INDIGENT HOUSEHOLDS

- (1) The implementation of this policy and the effective targeting of indigent persons will largely depend on the social analysis included in the IDP, the LED initiatives and other poverty relief programmes of the Municipality.
- (2) The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent persons.
- (3) Against the background of such socio-economic analysis, and within its financial and institutional capacity, the Municipality must decide which targeting method should be applied.
- (4) The Municipality may apply the following targeting methods:

Targeting approach		Application
1.	Service levels	Lowest service levels normally in informal settlements and rural areas.

2.	Property value	Applicable only to Registered Indigents in respect of subsidies or RDP housing to a value determined in addition to the rebate in terms of the MPRA.
3.	Gross household income	The total household income may not exceed the sum of two times the amount of state funded social grants (old age pension – beneficiary older than 60 years) currently as set out on the National Budget pronouncement on government grants .
4.	Geographical (Zone) targeting	Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

- (5) The Municipality may use any one of the above targeting methods or any combination thereof for the assessment and evaluation of an application by any person for indigent support and in determining whether any person applying for such indigent support qualifies for such support.

13. QUALIFICATION CRITERIA

- (1) The Municipality shall, from time to time, determine the qualification criteria for a person to become a Registered Indigent in order to receive indigent support, provided that until the Municipality determines otherwise, the following criteria shall apply:
- (a) the premises to which the municipal services are rendered (or to be rendered) or relate must be a “residential property”, as classified in terms of the categories of properties in terms of the provisions of the Rates Policy and By-Law of the Municipality, and must be utilised solely for residential purposes, as well as situated within the municipal area of the Municipality; and
 - (b) the applicant applying for the indigent support, must be:
 - (i) the holder of an account with the Municipality for the provision of municipal services to the premises referred to in sub-paragraph (a) above, who has concluded a service agreement

with the Municipality, as referred to and defined in terms of the Credit Control & Debt Collection Policy and By-Law of the Municipality; or

(ii) in an instance where the applicant for the indigent support is not the holder of an account and has not concluded a service agreement with the Municipality, as required by subparagraph (i) above: the applicant must:

(aa) be the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or

(bb) be the party to whom the residential property is awarded in the event of a divorce; or

(cc) be, where a deceased estate has not been wound up:

(aaa) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or

(bbb) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir; or

(ccc) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or

(ddd) in the case where a portion of a residential property is registered in the name of a

deceased estate, the surviving registered owners together with the heirs to the deceased estate;

- (dd) submit, simultaneously with the application for indigent support, an application for the provision of municipal services in terms of the provisions of the Credit Control & Debt Collection Policy and By-Law of the Municipality, applying to the Municipality to be granted an account and to conclude a service agreement with the Municipality; and
- (c) the total household income of all the household occupants, of the indigent household to which the application relates, above the age of 18 (eighteen) years, on the residential property may not exceed R3500, which is the amount equivalent to government pension grant of two pensioners. This amount will be aligned to the National Budget pronouncement on government grants.
- (e) the applicant must be a full-time occupant of the primary residential property owned; and
- (f) where applicable, the applicant must have a prepayment electricity meter, a water management device or a prepayment water meter installed in terms of any applicable by-law or policy of the Municipality, as read with any approved tariff;
- (g) the applicant must be a natural person.
- (h) the Households within the following categories of properties will be deemed to be indigent households:
 - (a) the property is used for residential purposes only as reflected in General Valuation roll;
 - (b) residential exclusion as per Property Rates Act 2004 (Act No 6 of 2004) is applicable to property;
 - (c) municipal value of property does not exceed maximum value R150 000.

- (2) The Municipality may call upon an applicant, a Registered Indigent or a debtor (as defined in terms of the provisions of the Credit Control & Debt Collection Policy of the Municipality) at any time to produce documents in support of their claim for indigence or Registered Indigent status, and may approach any person in order to verify any claim made by an applicant.

CHAPTER 2

ASSISTANCE PROCEDURES

14. COMMUNICATION

- (1) The Municipality must develop a community communication strategy, embodying the principles of transparency and fairness, in terms of which communities will be informed and educated on the contents of this policy in order to provide a clear understanding of the provisions of this policy and the implementation thereof.
- (2) Regular information dissemination and awareness campaigns by the Municipality must be undertaken to eliminate unrealistic expectations both in terms of qualifying criteria for indigent status, the extent of the benefits accorded to Registered Indigents, as well as municipal service delivery in general.
- (3) The methods of communication that the Municipality may utilise include, but will not be limited to:
 - (a) Ward committees;
 - (b) Community Development Workers (CDW's);
 - (c) Local radio stations and newspapers;
 - (d) Municipal accounts;
 - (e) Imbizo's and road shows; and
 - (f) Jamborees where government and municipal officials are made available to assist residents with applications such as ID applications, pension- and social grant applications, etc.
- (4) The Municipality must communicate the following to the community:

- (a) what the Municipality is trying to achieve with regard to the Indigent Policy;
- (b) how the Municipality will be going about implementing the Indigent Policy;
- (c) what the value for indigent and non-indigent households is;
- (d) who qualifies for the indigent support and how the Municipality has determined this;
- (e) how qualifying households should access the indigent support; and
- (f) the financial constraints of the Municipality which limits the levels of sustainable indigent support that can be provided.

15. INSTITUTIONAL ARRANGEMENTS

The Municipality shall appoint officials, or engage existing staff, or Community Development Workers (CDW's) who have been trained in terms of the Municipality's directions, to assist with the development and implementation of this policy. Furthermore, the Municipality shall establish indigent registration points, the cost of which may be funded through the equitable share allocation, in its municipal area.

16. APPLICATION

- (1) A person applying for indigent support must duly complete an official indigent support application form as prescribed by the Municipality (Schedule "A").
- (2) Such application form shall be available at the main office of the Municipality and at approved registration points established by the Municipality, as referred to above and on the Municipality's web site

- (3) The duly completed application form for the indigent support must be accompanied by the following documentation when such application for indigent support is lodged with the Municipality:
- (a) the latest municipal account for the household, if there is such an account;
 - (b) a certified copy of the account holders' and/or applicant's identity document, where the original is not available and presented to the Municipality for the purposes of making a copy by the Municipality;
 - (c) proof of the income of **all** occupants residing on the premises to which the municipal services are rendered (or to be rendered) or relate, above the age of 18 (eighteen) years, i.e. a letter from his/her employer, salary slip/envelope, pension card, unemployment insurance fund (UIF) card or a certificate that confirms registration as "looking for employment";
 - (d) bank statements of all the occupants residing on the premises above the age of 18 (eighteen) years, for the last 3 (three) months, certified by the bank and a sworn affidavit from each occupant that no other bank accounts exist;
 - (e) in the absence of any proof to be submitted either through subparagraphs (3)(c) or (3)(d) above, a sworn affidavit must be submitted by the applicant together with the documentation required in terms of paragraphs (3)(a) and (3)(b) above;
 - (f) proof of property ownership or proof of the existence of the criteria set out in paragraph 13(1)(b)(ii) above; and
 - (g) such other documentation as the Municipality reasonably determines from time to time.
- (4) The Municipality may require any other documentation or information from the applicant which the Municipality may deem necessary to assess and evaluate the application.

- (5) As part of the application the applicant must consent to the verification of the information submitted by them, by the Municipality, a credit bureau or any other similar agency performing external scans, as referred to in this policy.
- (6) All applications must be confirmed and declared under oath and be signed before a Commissioner of Oath.
- (7) Upon approval of successful indigent registration, the applicant's arrear debt will be written off. This will only occur only once per person. In the event that the indigent falls into arrears the Credit Control and Debt Collection Policy shall apply.

17. ASSESSMENT AND SCREENING APPLICANTS

Upon receiving of a duly completed application form from the applicant, together with the accompanying documentation as referred to above, all information must be verified by the Programme Officer or a person approved by the Municipality as follows:

(1) Indigent Management System Check

The information on the Municipality's Indigent Management System must be checked to determine whether an applicant or the household is already registered within the system as well as to determine dates when the existing applicants should be reviewed.

(2) Date Capture

The application date must be captured in an Indigent Management System as per the application form. The record must be flagged in the system as being an "application in progress".

(3) Verification – Site Visit

The Indigent Management System must assign an application to a duly appointed Verification Officer to perform an on-site verification. The Verification Officer must verify the information on the registration application form, visit the applicant and visually confirm the details supplied by the applicant and prepare a report in writing as to his/her observations, which report must accompany the application when the Verification Officer refers same. The Verification Officer is also allowed to collect such additional information pertaining to the application as he/she deems fit. The Verification Officer must assess the application and if the Verification Officer is of the view that the application has merits he shall proceed to refer the application for an external scan as stipulated in sub-paragraph (4) below. This information shall be entered into the Indigent Management System within 72 (seventy-two) hours after receiving the information from the Verification Officer.

(4) Verification – External Scans

An external scan of applicants recommended as suitable candidates for indigent support in terms of sub-paragraph (3) above, must be conducted with UIF, SARS, Department of Welfare, Retail and credit bureau(s). The external scan must immediately follow the process after the information from the site visitation has been captured. The information of the external scan must then also be captured in the Indigent Management System within 72 (seventy two) hours after receiving the information from the Verification Officer. The external scan must be done separately from the site verification.

18. RECOMMENDATION

Once the verification has been completed, the Indigent Management System must generate a recommendation based on the information captured in the database. Those applicants that qualify for indigent support in accordance with the system are then to be referred to the Indigent Committee for final approval.

19. INDIGENT COMMITTEE

- (1) The Municipality shall have an Indigent Committee tasked with the execution of the functions allocated to the said committee in this policy. The Chief Financial Officer, in consultation with the Municipal Manager, shall appoint the members of the committee from officials of the Municipality having the required financial, legal and administrative skills to serve on this committee, and the committee shall be known as the “Indigent Committee”. This committee must meet at least twice a month and must ensure that systems are put in place to ensure communication between the Indigent Committee and the Ward Committees in the Municipality in order to ensure that the provisions of this policy are implemented, that it functions and filters down to the community. The Indigent Committee must monitor in conjunction with Ward Councillors, Ward Committees, CDW's and other persons or organisations it may appoint, the execution and functioning of the indigent support programme.
- (2) The main task of the committee will be to see to the implementation of this policy, the proper functioning of the Indigent Management System of the Municipality, and to approve applications for indigent support. Once an application for indigent support is submitted to the committee, the date on which the application was submitted to the Indigent Committee shall be noted in the Indigent Management System, in order to track the status of the application within the process.
- (3) The Indigent Committee must consider each recommended application, assess and evaluate it on its own merits, taking duly cognisance of all the information submitted by the applicant and any other knowledge or information which members of the Indigent Committee may have in respect of the applicant.

- (4) The Indigent Committee may require any further information from the applicant they deem necessary in order to assist them in making a fair and justifiable assessment and may conduct site visits or require the applicant to attend an interview with the Indigent Committee.
- (5) The Municipality's Finance Department will assist the Indigent Committee and will review its financial system to determine if the applying household is on its system and if so, what the levels of consumption have been and the levels of payment from that household.
- (6) After the fair and objective assessment of each application, the Indigent Committee shall either approve or reject such an application.
- (7) Approved applicants must be included in the Municipality's financial system and the Municipal Manager must sign off on the approved application before the Municipality proceeds to connect or re-connect and provide the municipal services to the Registered Indigent.
- (8) In the event of a successful application, the Indigent Management System must be updated to show this, the system must be flagged to indicate that the application has been approved and a letter must be sent to the applicant, within 7 (seven) days, informing him/her of the approval of his/her application, the extent of the municipal services to which the applicant is entitled and the period for which the registration will remain valid. The applicant will be regarded as a Registered Indigent once the Indigent Management System is updated to reflect the approval of the application.
- (9) In the event that the application is declined, it must be captured as such in the Indigent Management System, and the system must be flagged and a letter

sent to the applicant informing him/her of the refusal and the reason therefore the Indigent Committee must provide reasons, which are to be captured on the Indigent Management System, recording why an application has been declined.

20. CONTINUOUS EVALUATION

The Indigent Management System must generate, on an annual basis, a list of site visits to be performed at Indigent Households of the Registered Indigents, and assign these to a Verification Officer. The Verification Officer must evaluate each Indigent Household the same as a new application and any changes in circumstances must be noted and -submitted to the Indigent Committee. This is to ensure that the system is kept current and that indigent support is in fact extended to those who require and still qualify for it.

21. RIGHT OF APPEAL

An applicant who feels aggrieved and whose rights are affected by a decision taken by the Municipality in respect of his/her application may lodge an appeal against that decision, which appeal must be dealt with as follows:

- (a) an appeal must be made in writing, setting out the details of the decision which are being appealed against, as well as the full details of the application or request initially lodged by the appellant, the outcome which was received pertaining thereto from the Municipality as well as the grounds of the appeal and the contact details and identity of the appellant lodging the appeal;
- (b) an appeal must be lodged with the office of the Municipal Manager within 21 (twenty-one) days after the appellant received the decision of the Municipality against which the appeal lies;
- (c) once the office of the Municipal Manager has received a properly noted appeal, the office of the Municipal Manager must within 7

(seven) days proceed to request the office of the Chief Financial Officer or the Indigent Committee to provide a written report in response to the grounds of appeal, within 14 (fourteen) days from being requested to do so, setting out the reasons for the decision of the Municipality. The Municipal Manager may request any party to provide further detail or information as required to assist in the consideration of the appeal or to clarify any issues;

- (d) the Municipal Manager shall then within 14 (fourteen) days after having received the response of the office of Chief Financial Officer or the Indigent Committee and any additional information requested, consider the appeal and inform the appellant who lodged the appeal of the outcome in writing;
- (e) the decision of the Municipal Manager is final;
- (f) the Municipal Manager may condone the late lodging of an appeal or any other procedural irregularity pertaining to an appeal in a written notice expressly doing so.

CHAPTER 3**INDIGENT SUPPORT**

22. THE EXTENT OF INDIGENT SUPPORT

The extent of the monthly indigent support granted to a Registered Indigent, will be determined based on budgetary allocations for a particular financial year and the municipal tariffs determined for each financial year as part of the Municipality's budget process and as set out in the Tariff Schedule, as referred to in the Municipality's Tariff Policy and By-Law. The extent of the indigent support provided by the Municipality is as follows:

(1) Electricity

- (a) The National Electricity Basic Service Support Tariff (Free Basic Electricity) Policy, 1 April 2003, published under Government Notice 1693 in Government Gazette No. 25088 of 4 July 2003, provides that 50 (fifty) kWh per month is considered to be adequate electrical energy to meet the needs for lightning, media access, limited water heating and basic ironing (or basic cooking) for a poor household on the national electrical grid.
- (b) The National Policy on Free Basic Alternative Energy, 2007, published under Government Notice 391 in Government Gazette No. 29760 of 2 April 2007, provides for, and is intended to provide indigent households with alternative energy where electricity is not available because the indigent households are not on the national electrical grid. The Policy provides that a municipality must give energy to the value equivalent to the cost of 50kWh, to an un-electrified indigent household.
- (c) Taking into account the above mentioned, the Municipality will provide Free Basic Electricity/Alternative Energy in the following manner:

(i) Electricity for households on the national electricity grid

- (aa) All Registered Indigents will receive 50 (fifty) kWh electricity per month fully subsidised.
- (bb) Unused free electricity units will not be carried over to the next month. Any meter tampering will result that the subsidisation will be withdrawn. In the event of the electricity supplied by Eskom directly, the Municipality will pay over an amount to Eskom equal to 50 (fifty) kWh of electricity per month based on the customers registered with the Municipality as indigent and not based on any indigent records submitted by Eskom, from their own records.

(ii) Alternative sources for households not on a national electricity grid

- (aa) The Municipality will give energy to non-grid indigent households to the value equivalent to the cost of 50kWh per month, (or as prescribed the National Policy on Free Basic Alternative Energy from time to time) or an amount as determined and provided for by the Council in the annual budget from time to time and as published in terms of the Tariff Schedule, as referred to in the Tariff Policy and By-Law of the Municipality. The Municipality may provide a voucher to the Registered Indigent to obtain the energy from an approved merchant or supplier, in lieu of energy.
- (bb) Alternative energy sources are *inter alia* paraffin, liquefied petroleum gas, coal and bio-ethanol gel.

(2) Water

- (a) The Municipality will provide Registered Indigents with 6 (six) 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.
- (c) 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.

(3) Sewerage

- (a) The minimum standard for basic water supply services as prescribed in terms of Regulation 2 of the Regulations Relating to Compulsory Nationals Standards and Measures to Conserve Water, published under Government Notice R509 in Government Gazette No. 22355 of 8 June 2001 and promulgated in terms of the Water Services Act, Act 108 of 1997, are as follows:
 - (i) the provision of appropriate health and hygiene education; and
 - (ii) a toilet which is safe, reliable, environmentally sound, easy to keep clean, provides privacy and protection against the weather, well ventilated, keeps smells to a minimum and prevents the entry and exit of flies and other disease-carrying pests.
- (b) All Registered Indigents shall be fully subsidised for sewerage levied.
- (c) 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.

(4) Refuse Removal

- (a) The minimum standard for basic refuse removal as prescribed in terms of paragraph 8 of the National Policy for the Provision of Basic Refuse Removal Services to Indigent Households, published under Government Notice 413 in Government Gazette No. 34385 of 22 June 2011, are as follows:
 - (i) Spatial and settlements demarcation for Basic Refuse Removal Services:
 - (aa) More than 40 (forty) dwelling units per hectare (high density): Frequent and reliable formal collection and disposal of solid waste to a landfill is required.
 - (bb) 10 (ten) to 40 (forty) units per hectare (medium density): Communal collection and formal disposal of household refuse and litter is required.
 - (cc) Less than 10 (ten) dwelling units per hectare (low density): On-site disposal of general household waste in areas so designated by the Municipality and in accordance with the relevant guidelines for on-site disposal provided by the Municipality.
 - (ii) Collection frequency (applicable to medium and high density settlements): The collection frequency is dependent on the composition and the volumes of waste generated. The most appropriate collection frequency in medium and high density settlements is set out as:
 - (aa) At least once a week for purely biodegradable domestic waste but on-site composting should be promoted.
 - (bb) At least once a month for recyclable materials in rural areas.
 - (cc) At least once fortnightly for recyclable materials in urban areas.
 - (iii) Issuance of free receptacles:

- (aa) The Municipality must provide appropriate free receptacles for refuse storage.
 - (bb) The number of free receptacles provided for household should be calculated based on the number of individuals residing in the household.
 - (cc) The Municipality should device appropriate strategies to maintain a constant and consistent supply of such free receptacles.
 - (dd) Most communities do not consider the provision of skips as a “service”. Where this alternative is unavoidable, the Municipality should ensure that the refuse is collected for placement in the skip as part of the service. Skips must be serviced frequently enough to avoid littering or dumping.
- (b) 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.
- (c) 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.

(5) Property Rates

- (a) Notwithstanding the rebate provided for in the provisions of MPRA applicable to residential properties, 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.

- (b) 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. This subsidy shall form part of the Tariff Schedule applicable for the financial year.

(6) Interest

No interest shall be levied against the arear debt of a registered indigent pending.

(7) Exclusion

Nothing in this policy shall be interpreted as creating any right in favour of an applicant or Registered Indigent to be supplied with any municipal services or to have municipal services provided to the Indigent Household where any municipal service is not currently available at such site. Subsidies awarded to Registered Indigents shall apply only to those municipal services available at the site.

CHAPTER 4**PROCESS MANAGEMENT**

23. VALIDITY PERIOD

- (1) Save for the provisions of sub-paragraph (2) below, the validity period of assistance will be for the duration that the applicant remains a Registered Indigent and whilst so registered meets the criteria for registration as an indigent. Indigent households, in terms of the audit and review process, will be subjected to scrutiny and occasional inspection to determine any change in status. The Municipality may at any time revoke the status of a Registered Indigent who no longer qualifies as such or who breaches terms of this policy or any other policy or by-law of the Municipality.
- (2) Indigent support is granted to a Registered Indigent below the age of 65 years old for a period of 12 (twelve) months from approval of the applicant's application for indigent support. A Registered Indigent must re-apply for indigent support at the end of the 12 (twelve) month period depending on his/her circumstances.
- (3) For the registered indigents who are pensioners and over 65 years old, the grant will be valid for a period of 36 (thirty-six) months from approval, and will be subjected to audits and verification annually.
- (4) A Registered Indigent shall lose their status as such and immediately cease to be entitled to any benefits as a Registered Indigent in the event that the Registered Indigent no longer qualifies in terms of this policy to be registered as an indigent. The Municipality shall remove the details of any person who whilst registered as an indigent ceases to qualify as such, from the Indigent Register.

24. ARREARS AND EXCESS USAGE OF ALLOCATIONS

- (1) On becoming a Registered Indigent, the arrears on the account of the Registered Indigent may be written off as provided for in the Credit Control & Debt Collection Policy & By-Law of the Municipality.
- (2) The Municipality may implement restrictions on the provisions of municipal services to Registered Indigents where the said municipal services are subsidised by the Municipality in terms of this policy. A Registered Indigent shall accept and consent to such restrictions as part of the terms and conditions upon which the Municipality provides indigent support to a Registered Indigent. Where restrictions are not possible the Registered Indigent shall be responsible for paying for the consumption utilised in excess of the approved subsidy quantity.
- (3) Upon the approval of an application for indigent support the water and electricity meters and measuring devices on the premises to which the municipal services are being rendered or relate will be converted to prepayment meters, at the cost of the Municipality, in order to enforce restrictions and measure the provisions of the said municipal services.
- (4) If a prepayment meter cannot be installed immediately, the Registered Indigent may be subjected to restriction measures to only allow for the monthly-subsidised municipal services.

- (5) The writing off of any arrears is strictly subject to the provision that the premises to which the municipal services are being rendered or relate may not be sold within a period of 2 (two) years from the date that Registered Indigent is registered. In the case of the premises being sold inside a period of 2 (two) years the arrear debt, excluding any further accumulated interest, will be recovered before a clearance certificate in terms of section 118 of the Systems Act is issued by the Municipality.

25. TERMINATION OF INDIGENT SUPPORT

Indigent support to a Registered Indigent will be terminated under the following circumstances:

- (a) upon death of the Registered Indigent;
- (b) upon sale of the premises to which the municipal services, which are being subsidised in terms of indigent support, are rendered or relate;
- (c) when circumstances in the indigent household have improved to the extent where the income threshold, as determined by the Municipality in terms of this policy, is exceeded;
- (d) if there is any tampering or interference with the meters or measuring devices or restriction devices installed at the premises to which the municipal services, which are being subsidised in terms of indigent support, are rendered or relate;
- (e) if the Registered Indigent is found to misrepresent about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply:
 - (i) all arrears and interest as provided for in the Credit Control and Debt Collection Policy of the Municipality will be written back as if the write off had not taken place, and become payable immediately;

- (ii) the credit control and debt collection measures as set out in the Credit Control & Debt Collection Policy and By-Law will apply; and
- (iii) the Registered Indigent will not be eligible to apply for indigent support for a period of 5 (five) years.

26. AUDIT AND REVIEW

- (1) The Municipality may conduct regular audits on Registered Indigents on the Indigent Register with regard to the information furnished by Registered Indigents, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of Registered Indigents. Registered Indigents shall be required to furnish such information as requested by the Municipality to conduct the audits from time to time.
- (2) The frequency of audits will depend on the institutional capacity of the Municipality to do so. Quarterly targeted audits and reviews should be undertaken to ensure the verification and re-registration of each Registered Indigent at least once in a 3 (three) year cycle.
- (3) The Municipality reserves the right to send officials or its agents to indigent households from time to time for the purpose of conducting an on-site audit.
- (4) Where any doubt exists regarding the current status of a Registered Indigent, the matter should immediately be referred to the Indigent Committee for verification at any time.

27. EXIT PROGRAMME

- (1) Registered Indigents and the members of the indigent household headed by that Registered Indigent must be prepared to participate in exit programmes co-ordinated by the Municipality in collaboration with other government departments and the private sector.
- (2) As part of its broader poverty reduction programme the Municipality undertakes to provide for the participation and accommodation of indigent persons in its local economic development (LED) initiatives and in the implementation of integrated development programmes where possible. Registered indigent and indigent households must partake in these programmes if so required by the Municipality.
- (3) The Municipality must promote exit from indigence by:
 - (a) identifying Registered Indigents for inclusion in public works projects;
 - (b) initiating local job creation projects such as cleansing operations, small infrastructure projects, etc;
 - (c) facilitation of opportunities to enter the informal trade market;
 - (d) facilitation of food security projects; and
 - (e) liaison with National and Provincial departments to include Registered Indigents and other indigent persons in their public works programmes.

CHAPTER 5

MISCELLANEOUS PROVISIONS

28. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- (1) The Chief Financial Officer or his/her delegate will be responsible to compile and administer the database for Registered Indigents registered in terms of this policy.
- (2) Registration will take place in terms of this policy on a continuous basis and in accordance with the programme of quarterly targeted audits and reviews. The Municipality may decide to launch special registration campaigns from time to time.
- (3) The Chief Financial Officer 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.

29. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- (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 for indigent support invalid.
- (2) Any applicant who supply false information will be disqualified from further participation in the indigent support scheme and be liable for the immediate repayment of all subsidies received and all debts including arrears and interest

thereon that have previously been written off. The Municipality may furthermore institute criminal proceedings, as it may deem fit.

- (3) Registered Indigents shall immediately notify the Municipality of any changes in his/her or the indigent household's indigent status or circumstances where such change would mean that the Registered Indigent no longer meets the criteria for registration.

30. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

- (1) No amount of money shall be paid to any Registered Indigent, but the subsidy shall be transferred, credited or indicated on a monthly basis:
 - (a) towards the Registered Indigent's municipal account in respect of the premises to which the municipal services, which are being subsidised in terms of indigent support, are rendered or relate; and/or
 - (b) on the prepayment metering system installed on the premises to which the municipal services, which are being subsidised in terms of indigent support, are rendered or relate.
- (2) Any credits or subsidies shall be based on the monthly current account of the Registered Indigent only and in accordance with the Tariff Policy.
- (3) Subsidies, credits and vouchers shall not be transferable and no unused portion shall carry forward.

31. RESTORING SERVICES TO QUALIFIED HOUSEHOLDS

When a person qualifies and is registered as a Registered Indigent, any municipal services rendered to or relating to the premises to which the indigent support relates

which are at that time disconnected or terminated by the Municipality, shall be reinstated by the Municipality without any cost to the Registered Indigent. If services are to be restricted, discontinued or terminated in terms of the Credit Control & Debt Collection Policy after the Registered Indigent was registered as such, the approved tariff for reconnection will be payable by the Registered Indigent.

32. DEPOSITS

- (1) In terms of the Credit Control & Debt Collection Policy and By-Law of the Municipality, all consumers must apply for the provision of municipal services before such services are rendered to a particular premises and such services will only be rendered once the consumer's application is approved by the Municipality and a written service agreement is concluded, at which time the consumer becomes a customer of the Municipality. On application for the provision of municipal services the consumer applying for the rendering of the municipal services must pay a deposit as prescribed by the Municipality.
- (2) For the purposes of this policy and the rendering of indigent support to Registered Indigents, accounts will be opened for Registered Indigents without requiring the payment of 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 subsidy. This arrangement will immediately terminate if the status of the Registered Indigent changes.
- (3) *Where a person is allocated housing as per the RDP project, accounts will be opened without requiring any deposit.*

33. MONITORING AND REPORTING

The Chief Financial Officer must report monthly on the status and implementation of indigent support in the Municipality 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, with reference to the financial year and month to which the report relates, on the:

- (a) number of application for indigent support received;
- (b) the number of application for indigent support approved;
- (c) number of Registered Indigents currently in the Municipality;
- (d) amount of subsidy allocated per subsidy category;
- (e) total amount spent by the Municipality on indigent support;
- (f) amount of debt accumulating and debt recovery information (number of customers; enquires; arrangements for the paying off of debt in instalments; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);
- (g) performance against targets set in respect of indigent support and poverty relief and in particular with regard to the following:
 - (i) number of applications for indigent support dealt with;
 - (ii) time taken to process and finalise applications;
 - (iii) site visits undertaken; and
 - (iv) awareness and exit initiatives;
- (h) changes in the status of Registered Indigents.

34. CAPACITY BUILDING

The Municipality must ensure that all officials and councillors are appropriately capacitated in the contents, effect, implementation and workings of this policy in order

to ensure that this policy is implemented and extended to indigent persons who need the support extended by this policy to them.

35. IMPLEMENTATION AND REVIEW OF THIS POLICY

- (1) This policy shall be implemented once approved by Council as part of the budgetary policies of the Municipality, as referred to in the provisions of regulation 7 of the Municipal Budget & Reporting Regulations, 2008, and section 17(3)(e), section 21(1)(b)(ii) (bb), section 22(a)(i) and section 24(2)(c)(v) of the MFMA.
- (2) In terms of the provisions 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.



APPLICATION TO BE REGISTERED ASA REGISTERED INDIGENT

MUNICIPAL ACCOUNT INFORMATION

Account No.:		Date of application:	
Account Name:		Erf No.:	
Street name:			
House No.:		Pre-paid No.:	
Total valuation below a R150 000.00:	YES / NO	Tax Rebate form:	YES / NO

APPLICANT'S PERSONAL INFORMATION

Surname of applicant:					
Full Names:					
Identity Number:					
Physical address:					
Postal address:					Postal Code:
Telephone No.:	Home:		Work:		
	Cell:		Fax:		
Marital Status:	Married	Single	Divorced	Widowed	
Husband/Life partner:	Birth date:		ID Number:		
Wife/Life partner:	Birth date:		ID Number:		
Husband's Pension No.:		Wife's Pension No.:			
Name of Employer of applicant:					
Employer's address:					
Contact number of Employer:					

AGENDA: VIRTUAL COUNCIL: 25 MAY 2021

DRAFT INDIGENT POLICY 2021

<i>(delete which is not applicable)</i>					
1. Do you own a motor vehicle?					YES / NO
If Yes, what is the registration number?					
2. Do you have a clothing/furniture account?					YES / NO
3. Do you have any other business activity on the premises to which the municipal services are rendered or relate to?					YES / NO
If Yes, what is your gross monthly income from that business?					R
4. Do you have tenants in your premises?					YES / NO
If Yes, how many tenants do you have?					
What is your total rental income?					R
5. Do you own other property?					YES / NO
If Yes, address of property(ies):					
Personal particulars of all occupants above the age of 18 years residing on the premises to which the municipal services are rendered or rebate to:					
ID Number	Surname	Initials	Employed (Yes/No)	Gross monthly income	Source of income

DOCUMENTS REQUIRED

The applicant is required to submit the following documents and the Municipality will not process the application if the required documentation is not provided.

- (a) the latest municipal account for the household, if there is such an account;
- (b) a certified copy of the account holder's and/or applicant's identity document;
- (c) proof of the income of all occupants residing on the premises to which the municipal services are rendered (or to be rendered) or relate, above the age of 18 (eighteen) years, i.e. a letter from

- his/her employer, salary slip/envelope, pension card, unemployment insurance fund (UIF) card or a certificate that confirms registration as “looking for employment”;
- (d) bank statements of all the occupants residing on the premises above the age of 18 (eighteen) years, for the last 3 (three) months, certified by the bank and a sworn affidavit from each occupant that no other bank accounts exist;
 - (e) in the absence of any proof to be submitted either through sub-paragraphs (c) or (d) above, a sworn affidavit must be submitted by the applicant together with the documentation required in terms of paragraphs (a) and (b) above;
 - (f) written proof of property ownership or written proof of the existence of the criteria set out in paragraph 13(1)(b)(ii) of the Indigent Policy of the Municipality which are as follows:
 - (i) 2 (two) affidavits from mayor persons confirming that the applicant is a child heading a household accompanied by the death certificate(s) of the child’s parents and written proof that the residential property is registered in the name of the deceased parent or deceased parents of that child; or
 - (ii) the divorce order awarding the residential property to the applicant; or
 - (iii) the appointment letter of the executor of the estate and affidavit by the executor confirming that one of the following scenarios is applicable:
 - (aa) the residential property is registered in the name of the deceased and the applicant is the heir to whom the registered property has been bequeathed;
 - (bb) the applicant is the surviving spouse who was married in community of property to the deceased, together with any other heirs, if any, and that the residential property is registered in the name of that deceased; or
 - (cc) that a portion of the residential property is registered in the name of the deceased and that the applicant is the surviving registered owner of the remainder or a portion of the remainder of the property; and
 - (g) such other documentation as the Municipality reasonably determines from time to time.

DECLARATION BY APPLICANT

I the undersigned, _____ **(full names and surname printed)** hereby apply to be registered as a Registered Indigent in order to receive indigent support in terms of the Indigent Policy of the Municipality, and do solemnly hereby declare under oath that:

- (a) All the particulars furnished by me in this form, including the total gross income of myself and all the occupants above the age of 18 years residing on the premises, are to the best of my knowledge true and correct;

- (b) I undertake that if the particulars furnished in this form should change for any reason, I will immediately notify the Municipality in writing thereof;
- (c) I, nor any other occupant residing on the premises, own any other immovable property in the Republic of South Africa, apart from the property indicated on the account for which this application is made;
- (d) I understand that should my monthly consumption exceed the free allocation of water and remain unpaid, my supply may be restricted by a flow control washer or any other method the Municipality may deem fit, and I will then only have access to my free allocation of water;
- (e) I understand and agree that I may be subjected to restriction measures to only allow for the monthly subsidies municipal services;
- (f) I agree that if I have misrepresented myself in the qualifying criteria in order to benefit from Municipality's indigent support, I would be committing an offence and all benefits that have been received in terms of the indigent support will be reversed. Any amounts due will be for my account and I will be subject to normal debt collection procedures;
- (g) I am a South African citizen;
- (h) The Municipality may conduct any investigation, internal or external, including credit checks at any credit bureau to confirm any of the information provided by me and I hereby agree to any on-site visit by and municipal official;
- (i) I accept that his application, if successful, will only be valid for 12 (twelve) months from date of approval and the onus will be on me to re-apply, if necessary, the end of the 12 (twelve) month period;
- (j) This application will be subject to the terms and conditions as contained in the Indigent Policy of the Municipality as well as the Credit Control & Debt Collection Policy and By-Law of the Municipality;
- (k) I agree that the information contained in this document is not confidential. A list of approved applicants (Registered Indigents) will be handed to Councillors, and will be publicly displayed;
- (l) Due to the uncertainty of the availability of funds, the amount of allocation as well as the period of payment cannot be guaranteed by the Municipality.

SIGNATURE/THUMB PRINT OF APPLICANT

DATE

AGENDA: VIRTUAL COUNCIL: 25 MAY 2021

DRAFT INDIGENT POLICY 2021

Signed and sworn before me at _____ on this the ____ day of _____, 20____, the deponent having acknowledged that he/she knows and understands the contents of this declaration and that he/she has no objection to the taking of the prescribed oath and that he/she considers it binding on his/her conscience. I certify that the provisions of Regulation R.1258 of 21 July 1972 have been complied with.

COMMISSIONER OF OATHS FULL NAMES

SIGNATURE

COMPLETED BY:	
COUNCILLOR:	

CHECKED BY: _____

DATE: _____

APPROVED/NOT APPROVED:

SECTION MANAGER: _____

DATE: _____

CAPTURED BY: _____

DATE: _____



VERIFICATION FORM

Name: Verification Officer	
Ward number:	
Address visited:	
Date visited:	
Individual consulted:	
Declaration by Verification Officer	
I declare that I paid a visit to the premises as stated above. I am in possession of a copy of the prescribed application form and declare that the details contained therein have been verified by me. I am of the opinion that the contents of the application form are true and correct/false or incomplete.	
If false or incomplete, complete the following:	
Recommendation:	
Reasons for my decision:	
I, _____ (full names), recommend that support is not granted.	
_____	_____
SIGNED	DATE
If information found to be correct, complete the following:	

AGENDA: VIRTUAL COUNCIL: 25 MAY 2021

DRAFT INDIGENT POLICY 2021

I, _____ (full names), recommend that support be granted.

SIGNED

DATE

Date received back from Verification Officer:



RUSTENBURG LOCAL MUNICIPALITY

INSURANCE POLICY AND PROCEDURES

Commented [ED1]:

INSURANCE POLICY
RUSTENBURG LOCAL MUNICIPALITY

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PREAMBLE

This INSURANCE MANUAL provides the Rustenburg Local Municipality with a concise, comprehensible description of its treatment of risk. The contents should be read and adapted by all charged with the responsibility of management. The information is both educational and practical and is presented in a form which will facilitate easy reference on a day to day basis.

The foundations of the Safety Programme are on the principle that Rustenburg Local Municipality should insure as little as possible. However, where Insurance is essential, it must be correctly and adequately arranged. In this way, Insurance is an effective system of financial protection, but by its very nature it is limited. Where risk is concerned, in its many forms, the Rustenburg Local Municipality requires protection of which Insurance is simply an integral part.

The protection programme referred to is based on the following broad principles :

- We must be constantly aware of the risks to which the Rustenburg Local Municipality is exposed.
- Such risks must be evaluated and measured for their likely incidence, degree of seriousness and potential costs in financial terms.
- If risks cannot be avoided or eliminated entirely, all reasonable steps must be taken to minimize and control them.
- Having concern for the assets and resources of the Rustenburg Local Municipality, decisions must be made concerning the extent to which it remains economical for us to absorb such risks ourselves, without recourse to Insurance.
- We must then decide what risks constitute a sufficiently serious exposure to justify the expenses of arranging Insurance; such cover may well be bought on a practical basis, provided it is adequate and correct.

This, in essence, is Rustenburg Local Municipality's basic approach to the treatment of risk and the purchase of Insurance. Provided the rules are followed and with department's co-operation, we remain confident that the insurance programme will work successfully.

Such co-operation is essential in assisting the Municipality's Brokers with the identification of risks on a continuing basis, but, above all, Management must strictly enforce the risk control measures which have been encouraged and introduced throughout the Municipality by the Risk Management Unit. Some of the biggest losses in industry and commerce today are attributable to seemingly immaterial lapses in management control, housekeeping, maintenance and carelessness. Every member of staff should be encouraged to develop risk awareness and to co-operate in the overall efforts of the Rustenburg Local Municipality, to avoid the irretrievable wastage of loss.

1. PURPOSE OF THIS DOCUMENT

- 1.1 This document indicates the policy of Rustenburg Local Municipality (RLM) for insuring of municipal assets, and for insuring the municipality, its employees and Councilors against public liability claims and other losses.

2. Background

- 2.1 In terms of section 63 (1) of the Municipal Finance Management Act, the Municipal Manager is responsible for the safeguarding of municipal assets
- 2.2 It is the responsibility of the Accounting Officer or his/her delegates to ensure that all municipal assets are safeguarded against all risks that will result in loss. This implies that reasonable care need to be taken to prevent / minimize loss.
- 2.3 Insurance brokers active in the municipal environment over years prepared a standard for local authority insurance that takes all circumstances related to a municipality into account. There are however aspects in addition to this standard that the Council can decide on policy in order to reduce premium without an increase in risk or where the Council is prepared to accept risk because of a very slim probability that an event might occur.
- 2.4 Responsible financial management of any municipality requires that assets are properly managed. Municipalities have large numbers of assets, including equipment, plant and machinery. As trustees of public funds, the Council must ensure that municipal assets are adequately insured at all times. The insurance should in addition protect the municipality, Councilors and employees against public liability claims and other losses.

3. OBJECTIVE OF THE INSURANCE POLICY

- 3.1 The objective of this policy is to ensure that Rustenburg Municipality's assets, councilors and employees are insured adequately and economically at all times. Detailed procedures, to ensure that management and employees within the municipality understand their respective responsibilities and duties, are provided in the standard operating procedures.
- 3.2 This document indicates the policy of Rustenburg Local Municipality for insuring municipal assets, and for insuring the municipality, its employees and Councilors against public liability claims and other losses.
- 3.3 In general, the objective of this policy is to ensure sound and sustainable financial management within Rustenburg Local Municipality. Insurance brokers active in the municipal environment over years prepared a standard for local authority insurance that takes all circumstances related to a municipality into account.
- 3.4 Municipality have large numbers of assets, including PPE. As trustees of public funds, the Council must ensure that municipal assets are adequately insured at all times. The insurance should in addition protect the municipality, Councilors and employees against public liability claims and other losses.

4. RELATIONSHIP WITH OTHER POLICIES

4.1 This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the municipality, including the following –

- (a) Delegation of Powers (Delegations register) - Identifying the processes surrounding the establishment of delegated authority.

- GENERAL: General information and best practice for application in the municipality
 - POLICY STATEMENT: A statement that reflects the specific policy adopted by the municipality, in line with best practice
 - RESPONSIBILITIES: Allocation of key responsibility areas to give effect to the adopted policy
- INSURANCE MANAGEMENT POLICY
- Actions to effectively implement the key responsibility areas indicated in the policy
- STANDARD OPERATING PROCEDURES

- (b) SCM Policy - Regulating all processes and procedures relating to acquisitions of goods and services.

- (c) Asset Management Policy.

- (d) Financial Asset Management Policy.

- (e) Budget Policy - The processes to be followed during the budget process as well as pre-determined prioritization methodology.

4.2 This policy does not overrule the requirement to comply with other policies. The Chief Financial Officer (CFO) will provide guidance or adjust these policies where an apparent conflict exists between this policy and other policies, legislation or regulations.

5. RECOVERY OF LOSS

5.1 All departments shall set up respective Loss Control Committee to investigate claims and coordinate decisions taken with the Insurance Claims Committee

5.2 The decisions based on the finding of the committee should be fair, consistent and transparent. These findings should then be escalated to Human Resources department for disciplinary action and recovery of the loss where applicable.

6. LIMITS

On an annual basis the excess limits shall be assessed as part of the adjudication of the insurance quotations received from the Insurance Companies/Insurance Brokers.

7. PAYMENT OF EXCESSES (or losses below excess payable) BY EMPLOYEES

Where in the opinion of the relevant Director and the Municipal Manager an employee's negligence led to the damage to, or loss of, an asset, the excess payable may be claimed from the employee concerned in terms of the outcome of the Disciplinary Procedures.

8. INSURANCE CLAIMS REJECTED BY INSURER (above excess)

Where in the opinion of the relevant Director and the Municipal Manager an employee's negligence led to the damage to, or loss of, an asset, the total loss to the municipality may be claimed from the employee concerned in terms of the outcome of the Disciplinary Procedures.

9. FAILURE TO REPORT AN INCIDENT

Failure to report an incident to the insurance section within the timeframes indicated on the SOP, may result in disciplinary action taken against the employee responsible for the asset. The outcome of the disciplinary process will determine whether the employee will be personally held liable for the losses incurred.

13. RISK & INSURANCE PHILOSOPHY

- 13.1 To identify and eliminate or reduce, as far as practicable, the conditions and practices which cause insurable losses.
- 13.2 When risk cannot be eliminated or reduced to workable levels
- 13.3 To purchase Insurance that will provide indemnity for catastrophic losses;
- 13.3.1 To retain those risks not considered to be of major importance to the operating position or financial stability of Rustenburg Local Municipality.
- 13.4 To retain whatever portion of the risk for Rustenburg Local Municipality's account, provided it is economically viable.
- 13.5 To maximize the overall Insurance purchasing power of Rustenburg Local Municipality.
- 13.6 To develop throughout Rustenburg Local Municipality a positive attitude towards identifying and controlling loss and minimizing risk exposures through the implementation of Risk Management techniques.
- 13.7 To consider capital expenditure on risk improvement recommendations, but only where it is cost effective in the medium and long term to implement such improvements.
- 13.8 To purchase Insurance from reputable Insurers and to avoid the use of non-registered Insurers and captive markets.

14. RISK MANAGEMENT

7.1 In its simplest form, Risk Management means knowing all the time :

- (a) what your risks are;
- (b) what they mean in financial terms;
- (c) what can reasonably be done to eliminate or reduce them;
- (d) what financial resources you have to absorb them economically; and ultimately,
- (e) what Insurance is necessary for the potential catastrophes which remain.

7.2 This approach should form the basis of Rustenburg Local Municipality's Protection programme.

Insurance must not be looked upon in isolation as the only real answer to risk. It is a financial system which, in itself, is incapable of making good some losses. Human life, loss of time, lost opportunities for profit, and loss of goodwill are but a few examples.

7.3 Consequently, Insurance is better bought last when all other Risk Management techniques have been adopted.

7.4 Risk Management must be a sound foundation to Rustenburg Local Municipality. Top management must be seen to identify themselves with its objectives. This is essential if others directly involved are to ensure that it works.

15. LOSS CONTROL

This is the practical application of Risk Management and its principal objectives are :

1. to give effect to the day to day application of Risk Management theory throughout your organization as an integral part of management practice;
2. to create and develop risk awareness among staff at all levels;
3. to educate all in the knowledge and practice of identifying and controlling risks on a continuing basis;
4. to achieve and maintain a high standard throughout of safety, security and good housekeeping so as to:-
 - minimize the incidence and impact of all losses (insured and self-insured);
 - control your Insurance costs;
 - generate increased efficiency, productivity and profitability;
 - promote a sense of pride and achievement in your operational standards.

CLAIMS AND INSURANCE PROCEDURES

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SECTION I

GENERAL PROCEDURE TO SUBMIT INSURANCE CLAIMS

RELEVANT CLAIM FORMS:-

- (a) Annexure A: Property Loss – all property losses/damages/theft, Fire and Allied Perils, Business All Risks, Business Interruption, Money
- (b) Annexure B: Motor Vehicle – Any damage to Council Vehicle and to third party
- (c) Annexure C: Motor Theft;
- (d) Annexure D: Fidelity;
- (e) Annexure E: Public Liability : Claim From a Member of the Public;
- (f) Annexure G: Stated Benefits / Personal Accident.
- (g) Annexure H: SASRIA

The following must be adhered to before claims may be submitted :

1. Immediate notification of any claims or incidents likely to give rise to claims. Claims not notified within 30 days of occurrence may be rejected by the insurers for late notification.
2. Advice to the South African Police, where applicable, ie theft, vehicle accidents etc.
3. As soon as possible after the event, notify the police, supervisor and Insurance Section of any claim involving theft/damage of property and take all reasonable steps to discover the guilty party and to recover the property stolen or lost;
4. Non-admission of liability (whether liable or not) resulting from automobile accidents or any other cause.
5. Full information being provided as normally required by carriers in respect of transit claims, but the initial notification referred to above should not be delayed for any reason.
6. The duty to minimize damage losses and the need, therefore, to protect salvage and to act in principle "as if uninsured".
7. Following a potential claim, insurers have the right to examine the property damaged and this should not be disposed of. Once a claim has been settled, salvage generally becomes the property of the Insurers, and should continue to be protected until removed from the premises.
8. Where claims of magnitude arise, an assessor is normally appointed to investigate the cause of the loss and to assist in quantifying its effect. Where assessors are appointed, it will be done by Insurers following the notification procedure detailed in paragraph 1 above, but it is the responsibility of the Municipality's Appointed Broker to maintain close liaison with the assessors and/or insurers at all times, so that the insured's interests are protected and claims settled as quickly as possible. Full co-operation with the assessors is essential..
9. In respect of vehicle accidents, the third party's name, address and vehicle registration number must be noted, together with names and addresses of independent witnesses, wherever possible.

ALWAYS BE VERY FRANK WHEN ANSWERING QUESTIONS IN THE CLAIM FORMS REGARDING LIABILITY OR BLAME FOR ACCIDENTS.

False or contrived statements serve only to complicate claims settlement procedures.

10. In the case of injuries arising from motor accidents, it must be noted on the Motor Vehicle Accident Form.
11. It is imperative that in respect of each and every loss or incident resulting in, or likely to result in a claim, an appropriate claim form be submitted without delay. These are available from the Annexures hereto.
12. Submission of claim forms to the Insurance Division is in addition to the initial notification referred to earlier and should be as soon as possible of occurrence of the loss or incident. Delays in notifying claims/losses or submitting supporting information will only serve to prejudice the Insured's rights of recovery in terms of the policy. Such delays should therefore be avoided at all costs.
13. ALL losses must be reported, regardless of whether these are insured or not, or fall within the deductible/excess.
14. It is important that all staff are made aware of the importance of reporting to management all incidents that may give rise to a claim.

SECTION I

1. PROCEDURES FOR CLAIM ADMINISTRATION GENERAL

- 1.1 All claims, however small they may be, are to be reported to the Insurance section, dealing with such claims on behalf of Council, within 48 hours of the date on which this accident/incident took place.
- 1.2 The Head of Department/Supervisor should be notified within 24 hours of the accident/incident.
- 1.3 Should negligence or recklessness be proved by the security and safety loss committee, the official should be personally held liable for losses incurred by the municipality.
- 1.4 The supply of false information is regarded as Insurance fraud and applicable disciplinary steps can be initiated by the Human Resource department.
- 1.5 Claims will be reported by the Insurance Section to the insurers as soon as practical (preferably within 7 days).
- 1.6 All claims will be entered in a claims register which is to be reconciled and reported to Council on a quarterly basis.

SECTION II

PROCEDURE TO SUBMIT DEPARTMENTAL CLAIMS : PROPERTY LOSS / DAMAGES

On the happening of the event, either damage to Municipal property or loss of Municipal property:

- 1) These incidents must be reported to the SAPS within 48 hours and to the immediate supervisor and/or head of department.
- 2) Reports from the department involved should be submitted together with all relevant documentation to the insurance section.
- 3) Claims are forwarded with all relevant documentation (notice of claim form, claim form, affidavit, case number and any other proof that may be required) to the Insurers.
- 4) Damage to buildings (Civic and Housing units) should on discovery be immediately reported to the Building Maintenance section and the Insurance Section.
- 5) In the case of damage to rental units the Housing Section is responsible for the report to the Insurance section and the reporting to the SAPS in the case of malicious damage.
- 6) The Building Maintenance Section should ensure that the building is safeguarded. If not possible, Security should be appointed to avoid further loss to Council and its Insurers.
- 7) Building Maintenance should also ensure that three (3) quotes are forwarded to the Insurance section as soon as possible to enable quick repairs.

SECTION III

PROCEDURE TO SUBMIT PUBLIC LIABILITY CLAIMS

There have been instances where Third Party Claimants have inferred that the Municipal employees with whom they have discussed their claims, have intimated that the Municipality was responsible for the injury/damage which was the subject of their complaint and that the General Insurance Fund will meet their claims.

Please ensure that the following procedures are adopted as Municipal Employees are not authorized to commit the Municipality in any way:-

- 1) Do not admit any liability or leave the third party with the impression that the claim will be met.
- 2) Under no circumstances should words be used such as "have the motor car/radio/refrigerator or any other item repaired and send the account to the Chief Financial Officer".
- 3) The Claimant should be informed that even if he assumes the Municipality is under a liability, he should where possible obtain at least three quotations, to affect the repairs.

These quotations should be referred under cover of a written claim or complete a claim form, to the Chief Financial Officer: Budget and Treasury Office, Insurance Section

- 4) If the Claimant is referred as mentioned above, it must be made clear that this is for the purpose of enabling his/her claim to be investigated, in respect of both liability and quantum.
- 5) The Municipal Employee concerned must, as soon as possible, complete the Incident claim Form and register the incident with their department, and submit this to their Insurance Sections.

- 6) Where damage was caused by a municipal motor vehicle, the appropriate Motor Vehicle Accident Report, must be completed and submitted as above.
 - (a) It is preferred that the driver call Rustenburg Traffic Department to the scene so that a formal Accident report can be done. If this is not possible, the accident must be reported to the nearest police station and obtain a police reference number.
- 7) The accident report must be completed immediately and handed to the Section/Unit Head and the insurance office.
- 8) The relevant department and/or claimant should be requested to submit a comprehensive report of the incident to the Insurance Section, which should be submitted together with all relevant documentation to the insurers.
- 9) The report should include the following information:
 - a) Detailed description of incident
 - b) Date of first knowledge of incident
 - c) Could incident have been avoided
 - d) Steps taken/to be taken to prevent future incidents
 - e) Applicable legislation
- 10) Where appropriate, the foregoing provisions should also be adhered to when a vehicle is hired.
- 11) Drivers are reminded that the aforementioned procedure must be adhered to as any transgressions may result in disciplinary action.
- 12) Vehicle must be used in accordance with "Description of Use" as mentioned in the Fleet management Policy.

Reminder: vehicle should not be used for social, domestic or pleasure purposes.

- 13) Claims not covered in terms of the Insurance Policy and claims that fall within excess (which are covered in terms of the policy) will be redirected (subsequent to confirmation from the insurance service provider) to the municipality's legal department / legal representative(s) to express an opinion based on the relevant findings(s) and consultation with the claimant in determination of whether or not, or to what extent the municipality is liable for related damages as claimed by third parties, or not. The approval / rejection of the above mentioned by the Senior Manager: Financial Planning will be based on the expressed opinion received from municipality's legal department / legal representatives.

SECTION IV

PROCEDURE TO SUBMIT VEHICLE ACCIDENT CLAIMS

- 1) The responsible official (driver of councils vehicle), have to report the incident to his/her supervisor, who will assist (If necessary) with the claim to the insurance section, providing the information below and any other information required to lodge the claim:
 - a) vehicle(s) involved
 - b) registration number(s)
 - c) details of driver(s) of vehicle(s)
 - d) residential/business addresses & telephone numbers
 - e) passengers details
 - f) copies of identity document(s) and driver's licence(s)
 - g) witness report(s), police report and case number,
 - h) description of damage to vehicle(s), date, time & location of scene of accident
- 2) Where personal injury has occurred, the accident scene should ideally be visited by the safety official of the municipality and all relevant information should then be gathered by the safety official. The safety official must immediately institute a claim in terms of the COID Act and provide the insurance section with details of the accident in order to forward together with all other relevant information to the Insurers.
- 3) Any information with respect to the scene of the accident that may be required by the Insurers must be supplied by the safety officer and/or the relevant department.

SECTION IV

PROCEDURE TO SUBMIT STATED BENEFIT AND PERSONAL ACCIDENT CLAIMS

- (1) Claim form, must be accompanied by the following documents:
 - ☐ Death Certificate.
 - ☐ Identity document of the deceased.
 - ☐ 12 months recent payslips .
 - ☐ Accident Report
 - ☐ Doctor's report

SECTION V

PROCEDURE TO SUBMIT S.A.S.R.I.A. CLAIMS

S.A.S.R.I.A. means: South African Special Risks Insurance Association.

The General Insurance Fund Policy does not cover loss or damage to property caused by

civil commotion, labour disturbances, riot, strike, lockout and public disorder.

Should a claim arise from one of the causes aforementioned, a claim can be made against S.A.S.R.I.A. , provided that the department has taken such cover.

The requirement and procedure is as follows:

- (1) in the event of a S.A.S.R.I.A. claim, the department must complete a claim form, and forward same to Insurance Section;
- (2) Insurance Section (Insurance Officer) to capture claim as cover type (S.A.S.R.I.A.) and forward the claim form to the Broker;
- (3) the Broker to complete the necessary S.A.S.R.I.A. claim form and forward to S.A.S.R.I.A.
- (4) the claim amount less the excess is paid to the Insurance Section;
- (5) Insurance Section, (Insurance Officer), will credit the relevant Department and cancel the claim on the insurance system;
- (6) should there be a shortfall or should the claim be repudiated by S.A.S.R.I.A. the department will bear the full cost of the claim; and
- (7) Manager: Insurance, to review cover type S.A.S.R.I.A. on an annual basis.

SECTION VI

POLICY ON PERSONAL EFFECTS (SASRIA FOR COUNCILLORS)

- 1) The mayor and councilors houses up to the value of R1.5m (homeowners and householders combined) (VAT inclusive) can now be insured within the Municipality policy at a premium of R54.00 per annum/ R5.40 per month.
- 2) In the event that a mayor or councilor would request cover exceeding a limit of R1.5m, a separate Sasria coupon should be issued accordingly.
- 3) The cover for house contents is capped at a maximum of 30% of the value of the property not exceeding the combined limit of R 1.5m. Mayor and councilors insured under the Municipality policy should be noted accordingly including their risk addresses. An inventory list of all their household contents should also be completed in the event of a claim.
- 4) Rental of domestic property following a special risk loss is offered for free on condition that same is also offered for free under the underlying policy. However, should there be no free rental provisions in terms of the underlying policy, and there is a premium charged in this regard, premium will likewise be charged in respect of Sasria. The above facility is still available to mayor and councilors' during their term of office ONLY. Implementation of the above applies to all new business, renewals and endorsements. The above-mentioned changes are effective immediately.

SECTION VII

INFORMATION FOR STATISTICAL PURPOSES

- 1) Insurance Office compiles statistical reports every month, which will be distributed to all Departments for cognizance of new claims.
- (2) Before renewal of insurance portfolio, annually, an insurance portfolio will be sent to all directorates representing insured items. This is to be reviewed by managers, adjusted and advised to the Insurance Section.
- (3) It is the duty of every Unit to submit information to the Insurance Section on newly acquired assets for insurance purposes.

SECTION VIII

HOW TO COMPLETE DIFFERENT SCHEDULES

2. COMBINED SCHEDULE - CONTENTS

- a) Once a year the estimates are calculated in terms of % rate determined by the Assets and InsuranceSection to ensure that assets are insured correctly as at day one average increasing all the contents.
- b) the percentage gets updated into the system; and
- c) combined schedule is run and sent to all departments to check the percentage used, and to certify that the insured amount is correct.

3. CERTIFICATION OF SCHEDULES

3.1 COMBINED AND HOUSEOWNER'S COMPREHENSIVE SCHEDULE

After the estimates have been calculated in terms of % rate determined by the Insurance Section,

Combined and Houseowner's comprehensive schedules are sent out to departments for them to:

- a) Ensure that all buildings and contents appear on the listing.
- b) Delete all items that are no longer in existence.
- c) Ensure that assets are insured as at day one average.
- d) Sign a certification letter to confirm that all the information contained in the schedules is correct.

The following can be used as guidelines when determining projected values

STRUCTURE & PROJECTION OF PROPERTY VALUES

(SUMS INSURED)

General Guidelines

1. STRUCTURE COMPONENTS

- a) Current replacement costs of buildings (to include boundary walls, fences, private roadways, etc), plant/machinery, stocks (ie raw materials, work in progress, finished goods and stores but excluding any stock in transit and any stock specifically excluded in terms of the policy), or other assets.
- b) Allowance for cost of demolition, clearance of site, etc.
- c) Allowance for Public Authority Requirements during rebuilding.
- d) Allowance for Architects and/or other Professional Fees during rebuilding.

2. PROJECTION PERIODS

- (a) Bear in mind that a loss could occur on the last day of your insurance period.
- (b) Add to this, the period over which demolition and rebuilding could take place. applicable to plant/machinery, project the values determined under 1 above to take into account escalation/inflation over:
 - (i) The period of Insurance
 - (ii) The demolition/rebuilding or replacement period following the period of insurance.

3. AVERAGE

In the event of under-insurance at date of loss or date of replacement, average could be applied to any claim according to the degree of under-insurance, for example :

Total of values at risk at date of renewal R 1 000 000

Sum insured at date of loss R 800 000 (80%) Cost of rebuilding R 100 000

Insurance payment R 80 000 (80%)

Other policies are subject to average as detailed in the "Important Considerations".

4. MARKET VALUE CONDITIONS

If the basis of value is not on replacement value, then the sum insured should represent the estimated market value at the time of the loss.

3.2 SASRIA

In the combined and houseowner's comprehensive schedules there is a column for SASRIA.

It is the opinion of Rustenburg Local Municipality that S.A.S.R.I.A. will be applied to all assets, property and plant and machinery, as a form of risk transferal

4. MOTOR VEHICLE COMPREHENSIVE

Motor Vehicle Comprehensive Schedule is sent out once a year to fleet management department for them to:

- (a) Ensure that all vehicles appear on the listing, and that details are correct.
- (b) Delete all vehicles that are no longer in existence.

- (c) Ensure that vehicles are insured at replacement values and coded correctly.
- (d) Sign a certified letter to confirm that all the information in the Schedules is correct.

SECTION VIII

INSURANCE CLAIMS EXPERIENCE

- (1) The Insurance Section compiles statistical reports monthly. This report shows the number of claims received by the Insurance Section for a period of 12 months and the total value of those claims, (paid and outstanding).
- (2) This report/schedule is sent to Department Heads twice a year.
- (3) Premiums charged to the departments are based on yearly claims experience. The increase in the number of claims result in the increase in the premiums charged.
- (4) Department Heads are required to examine the Claims Summary Report and review their risks management.

SECTION X

HOW TO INSURE ASSETS

- (a) It is the duty of every department to notify the Insurance Section of any newly acquired assets, as they need to be insured. The following details must be given:-

- Description of Asset
- Purchase Date
- Purchase Price
- Asset Barcode number

In the instance of a vehicle:

- Copy of registration document
- Purchase value
- Purchase date
- Asset Barcode Number
- Fleet number

- (b) Should the asset fall within the deductible on the insurance portfolio, the asset will not be insured and the relevant department will bear the full risk of replacement in the event of theft or damage and should budget accordingly.

DECLARATIONS

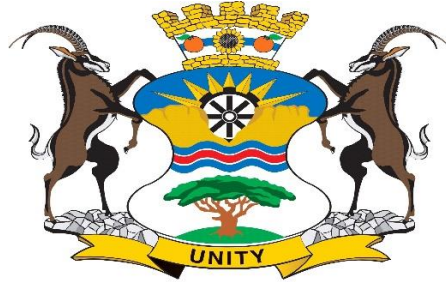
Declarations are required as follows :

POLICY INFORMATION REQUIRED FREQUENCY

ASSETS Replacement value of all assets Annual

MOTOR Schedule of vehicles owned operated leased or hired Annual

BUSINESS INTERRUPTION Actual Revenue Annual



RUSTENBURG LOCAL MUNICIPALITY

INSURANCE CLAIMS AND LOSS CONTROL COMMITTEE POLICY

INSURANCE CLAIMS & LOSS CONTROL COMMITTEE POLICY

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PURPOSE

The purpose of implementing an Insurance Claims & loss control committee policy into the Municipality is to increase the safety and security of the Municipal assets, which helps reduce the frequency and possibly the severity of claims and ultimately lower insurance costs.

To provide for a written description of the Insurance Claims & Loss Control Committee (the “Committee”) procedures established for Rustenburg Local Municipality.

This document is an overview of the individual procedures which support the Insurance Claims & Loss Control Committee and contains guidelines for Good Practice for claims and loss management within Rustenburg Municipality.

WHEREAS the municipality does from time to time receive claims from the public relating to possible damages caused in incidents occurring in the service delivery activities of the municipality;

AND WHEREAS from time to time the municipality has to deal with losses occurring within the organization pertaining to its employees, official equipment, vehicles and municipal property as a whole as well as private property of employees;

AND WHEREAS it is the purpose of the Insurance Claims & Loss Control Committee to evaluate and settle property loss/damage and/or liability claims in amounts less than the excess amount for which the Municipality is liable in terms of its insurance policy;

NOW BE IT ENACTED by the Council of the Rustenburg Local Municipality, as follows:-

CHAPTER 1

COMMITTEE COMPOSITION

1.1 CUSTODIANS OF THE COMMITTEES

- (a) The Insurance claims Committee shall fall under the custodianship of the Chief Financial Officer of the Municipality.
- (b) Members of the Committee shall be appointed, in writing, by the Municipal Manager or his/her authorized representative.
- (c) The office of the CFO shall appoint a secretary for the Committee, the duty of whom it shall be to distribute Agendas for meetings of the Committee as well as record and minute meetings of the Committee.
- (d) This Policy as well as the appointment of members of the Committee shall be reviewed annually by the Municipal Manager or his/her authorized representative.
- (e) The CFO may delegate any of his/her duties under this policy to a senior official within the Budget and Treasury Office.
- (c) All records required and generated by the procedures and working of the Committee shall be maintained and located in the Records Section of the Municipality.

- (d) The Chairperson shall also be the technical mentor and coach of the Committee by providing guidance in terms of regulatory requirements, technical resources and references etc.
- (e) Members: Complete the functions and tasks necessary to fulfil the goals and objectives of the Committee.
- (f) All departments shall set up respective Loss Control Committee to investigate claims and co-ordinate decisions taken with the Insurance Claims Committee

1.2 MEMBERS AND REPRESENTATION

1.2.1. Representatives of Insurance Claims Committee be people of authority who can act on claims under questioning.

- (a) The Committee membership shall comprise of the following standard members :-

Chairperson:	Chief Risk Officer
Deputy Chairperson:	Deputy CFO
Secretary:	CFO Secretariat
B.T.O. Officials:	Assets & Insurance Manager, Accountant Insurance & Finance Clerk Insurance
Legal Services:	Unit Manager
Occupational Health and Safety:	Unit Manager
Internal Audit:	Unit Manager
Disaster Management:	Unit Manager
Mechanical Workshop:	Unit Manager
Law Enforcement:	Unit Manager/Security Manager
Traffic:	Unit Manager/Senior Superintendent

- (b) Departmental Units shall be represented by the relevant Manager of that Unit in meetings of the Committee whenever a claim or loss arising from the activities of such a Unit is tabled before the Committee.
- (c) Unit Managers may delegate a representative to attend meetings of the Committee on his/her behalf but only with the consent of the Chairperson of the Committee and further provided that such a representative shall be fully conversed and familiar with all relevant facts pertaining to the claim or loss

he/she shall be presenting before the Committee on behalf of the Unit.

1.3 ROLES AND RESPONSIBILITIES RESPONSIBILITY OF LOSS CONTROL COMMITTEES

- (a) To discuss the circumstances of all claims;
- (b) To determine if negligence was the cause;
- (c) To initiate disciplinary procedures if necessary;
- (d) To establish preventative steps to prevent similar situation and or occurrences;
- (e) To ensure that the claim forms were completed and signed duly and that it was submitted to the insurance office;
- (f) To inform security manager in writing about all thefts and losses where a security company was on duty, within 72 hours;

To implement recommendations to the insurance claims committee.

1.4 ROLE AND RESPONSIBILITY OF INSURANCE CLAIMS COMMITTEE

- (a) The committee has to evaluate and investigate claims and where necessary, make sure that the relevant department takes disciplinary action
- (b) The Insurance Claims Committee has the right to reject any claim, which was not considered by the respective Loss Control Committee.
- (c) The Chairperson shall ensure the meeting agenda is completed and that assignments and commitments have been achieved and further that all records are sent to the Records Section for safekeeping.
- (d) All records required and generated by the procedures and working of the Committee shall be maintained and located in the Records Section of the Municipality.
- (e) The Chairperson shall also be the technical mentor and coach of the Committee by providing guidance in terms of regulatory requirements, technical resources and references etc.
- (f) Members: Complete the functions and tasks necessary to fulfil the goals and objectives of the Committee.

1.4 QUORUM RULES

- (a) A minimum 75% (6) of the membership plus the Manager(s) whose claims are being assessed are required to be present in order to hold a meeting and take a vote.
- (b) Resolutions and process directions are passed by a majority vote.

1.5 MEETING SCHEDULES

The Committee will meet as claims arise but at least Monthly. The Insurance claims committee shall have meetings every first Friday of the month and Loss control committee shall have a meeting a week prior to the Insurance claims committee meeting.

1.6 AGENDAS MINUTES AND RECORDING OF MEETINGS

- (a) The secretary of the Committee shall be responsible for compilation and distribution of Agendas for Committee meetings at least 3 days prior to a meeting.
- (b) Agendas shall contain all relevant information as stipulated in this policy regarding a specific claim and/or loss including a written report from the relevant unit Manager to whose Unit the claim or loss relates.
- (c) The secretary shall capture all resolutions of the meeting during the meeting and then record same in written Minutes of the meeting to be distributed to all attendees of a specific Committee Meeting.
- (d) The secretary shall ensure that an attendance register is signed at all meetings of the Committee and also record any apologies accordingly.

CHAPTER 2

PROCEDURE

2.1 PURPOSE OF THE COMMITTEE

- (a) The purpose of the Committee is to consider and settle or repudiate claims for damages caused to the property of members of public arising against the Municipality from time to time as well as consider and settle internal loss control issues as they arise.
- (b) The Committee shall have the authority to deal with claims as described in sub-clause 2.1(a) on the merit of each individual claim, for claims which falls within the excess amount of the Municipality's liability under its public liability insurance policy.
- (c) The Committee shall focus on the following goals and functions in order to meet the purpose identified:
 - (i) Review, consider and discuss all claims and losses received;
 - (ii) Settle, repudiate or refer back for further information all claims tabled before the Committee which falls within its mandate;
 - (iii) Attend meetings arranged for purposes of discussion and finalisation
 - (iv) Seek advice from any Third Party in considering and finalising claims before the Committee as the Committee may deem necessary.

CHAPTER 3

RECEIPT OF CLAIMS TO SERVE BEFORE THE COMMITTEE

3.1 SUBMISSION OF CLAIMS

- (a) Claims against the Municipality have to be submitted at the office of the Manager of the Unit allegedly responsible for the damage which gave rise to the claim.
- (b) Potential claimants have to contact the office of the relevant Unit Manager where the necessary claim form can be obtained and again submitted with the required information and documentation required as indicated on the form.
- (c) Claimants shall claim from their own insurance companies first before recourse is sought against the Municipality. No claimant shall refuse to claim for damages against their own insurance company. In all instances the claimant shall disclose the name and telephone number of their insurance company.
- (d) Claims for consideration by the Committee have to be lodged with the Municipality within 1 calendar month of the date of the incident causing the alleged damage. Claims lodged outside this cut-off period shall not be considered by the Claims and Loss Control Committee of the Municipality.
- (e) All claims lodged with the municipality shall contain the following information and be accompanied by the following relevant documentation:-
 - (i) Completed claim form;
 - (ii) Sworn affidavit by the claimant on the circumstances how, date, time and place where the incident allegedly causing the damage occurred;
 - (iii) SAPS MR Number showing the incident has been reported with SAPS;
 - (iv) In the event of a motor vehicle accident, a detailed traffic accident report complete with sketches;
 - (v) 3x quotations for repairing of the damage allegedly caused;
 - (vi) Colour photographs of the scene of the incident as well as the damaged property (where damage is caused to mag-wheels and tyres the municipality reserves the right to inspect such mag-wheels and tyres);
 - (vii) A certified copy of the claimants ID;
 - (viii) A certified copy of the damaged motor vehicle's registration/licensing documents;
 - (ix) A copy of the claimants municipal services account for the month directly preceding the incident. In the event of the claimant being a tenant not receiving a municipal account, a copy of his/her rental agreement including a letter from the landlord confirming that the tenant's municipal services are paid to date;
 - (x) A letter from the claimant's insurance company indicating that a claim has been lodged with the insurer for the damage to the claimant's property, further indicating what the excess amount payable on the claim is.

3.2 CLAIMS ASSESSMENT

- (a) Although all claims received shall be reviewed by the Committee, the Municipality is not obliged to honour any claim.

- (b) Claims received shall be considered on merit of each individual claim.

Negligence on the part of the claimant shall result in discounting of the claim in the discretion of the committee.
- (c) In all instances where alleged damage is caused to a claimant's property, the Municipality shall only consider payment of the claimant excess payable under his/her own insurance policy where the Committee is of the opinion that the claim has merit and warrants remuneration.
- (d) Claims received shall within a period of 5 working days from date of receipt of such a claim, be submitted to the office of the Accountant Insurance and Investments by the relevant Unit Manager receiving the claim. Claims thus submitted shall contain all relevant information requested on the claim form and shall be accompanied by a written report of the relevant Unit Manager regarding the merit of the claim from the Unit's perspective.
- (e) On receipt of a claim from the Unit Manager, the Accountant Insurance and Investments shall acknowledge receipt of the claim and arrange for the claim to be lodged with the Records Section so that a file number can be allocated to the claim.
- (f) Complete claims shall be forwarded to the Secretary of the Claims and Loss Control Committee who in turns shall compile an Agenda for the Committee and secure a date for the next meeting to consider claims.
- (g) Claims have to be finalised within 30 working days following the date of receipt of a complete claim.
- (h) Where the municipal rates and services account of the claimant is in arrears for more than 60 days, the claimant claim shall be repudiated by the Committee.
- (i) Where the municipal rates and services account of the claimant is in arrears for 30 days, the claimant shall be allowed the opportunity to settle his/her municipal account and on submission of proof of such payment the claims shall be further considered by the Committee.

3.3 PAYMENT OF CLAIMS

- (a) Claims deserving of payment in accordance with the Committee's resolution shall be limited to payment of the lowest quotation amount or the claimant's excess payment under his/her policy, whichever is the lesser amount.
- (b) Where the Committee resolves to honour a claim against the Municipality, the payment shall be made ex gratia and in full and final settlement of the claimants claim.
- (c) Costs for car rental and tow in services shall not be considered.

3.4 NO OR PARTIAL PAYMENT OF CLAIMS

- (a) If the claim is denied, the Committee states and minutes explicitly to the claimant the reasons on which denial of the claim is based.
- (b) If the amount offered is different from the amount claimed, the Committee explains the reason for this to the claimant.

- (c) When the municipality is not responsible (by virtue of common law of delict principles) for meeting all or any part of the claim, the Committee notifies the claimant of this fact and explains why.

CHAPTER 4: LOSS CONTROL

4.1 RECEIPT OF LOSS CONTROL MATTERS FOR CONSIDERATION

- (a) Incidents of internal loss control to be considered by the Committee shall be submitted to the office of the appointed Secretary of the Claims and Loss Control Committee for inclusion in the Agenda of the Committee.
- (b) Incidents so submitted shall consist of a comprehensive written report by the relevant Unit Manager, which report shall contain information on the nature of the loss, how it occurred, what remedial steps have been taken to prevent future occurrences, disciplinary action taken if any, value of the loss and how the damage caused will be compensated. The said report shall also contain a recommendation to the Committee on how the incident has to be dealt with.
- (c) When a loss control issue serves before the Committee, the relevant unit Manager shall avail himself/herself to ensure attendance of such a meeting of the Committee.
- (d) Resolutions taken on loss control issues shall be final and binding and executed accordingly by the unit Manager.

CHAPTER 5: CLAIMS REGISTER

- (a) A claims register shall be opened and kept on all claims received and considered by the Committee. This register shall contain the date of the claim, the claimants name and ID number as well as the amount of the claim and whether the claim was paid out or not.
- (b) Claims are documented in order to be able to address questions that may arise concerning the handling and payment of a claim.

CHAPTER 6: COMPLAINTS AND DISPUTES

6.1 FILING OF COMPLAINTS AND DISPUTES

- (a) When a claimant files a complaint against the findings of the Committee, the Committee:-
 - (i) acknowledges receipt of the complaint within a reasonable period of time;
 - (ii) provides the claimant with explanations on how his/her complaint will be handled and the procedures to be followed
 - (iii) processes the complaint promptly and fairly
 - (iv) provides a final response in writing within a reasonable period of time.

6.2 PROCEDURE FOR DEALING WITH COMPLAINTS AND DISPUTES

- (a) Once a complaint has been received and acknowledged, the letter of complaint together with the resolution of the Committee taken with regard to the claim on which a complaint has been received has to be tabled before the earliest next sitting of the Committee for consideration.
- (b) Complaints and disputes so received shall be duly considered by the Committee, where after the Committee shall resolve on the matter and a final response on the complaint be forwarded to the claimant in writing.

6.3 DISPUTES

- (a) If the claimant is dissatisfied with the final response from the Committee, the claimant shall be informed to forward his/her dispute in writing to the CFO and Manager Legal Services, who will then assess the matter and take a final decision regarding that claim or dispute and inform the claimant accordingly in writing.
- (b) A claimant not satisfied by this outcome may lodge an appeal with the Municipality's Appeal Dispute Committee

MUNICIPALITY

INVENTORY MANAGEMENT POLICY

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1. DEFINITIONS

1.1 In this Policy, unless the context indicates otherwise, the following definitions are applied:-

“Accounting Officer” means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003

“CFO” means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act, 56 of 2003

“Cost” shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition

“Delegated authority” means the official who is given the authority for relevant functions in terms of the municipality’s written delegations;

“Good received note” means a document which is used to acknowledge the receipt of goods in good condition and correct quantities

“Inventories” are assets:
In the form of material or supplies to be consumed in the production process,
In the form of materials or supplies to be consumed or distributed in the rendering of services
Held for sale or distribution in the ordinary course of operations, or
In the process of production for sale or distribution

“Logistics & Materials Manager” shall mean the person appointed as Logistics & Materials

Manager under section 4.1 below.

“Municipality”

shall mean the Rustenburg Local Municipality;

“Net Realisable”

Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution.

“Obsolete inventory”

means items that have expired, are redundant or damaged;

“Re-order level”

means the level of inventory at which inventory is re-ordered;

“Requisition form”

means a written request to the Inventory Supervisor to supply specified inventory;

“Responsible manager”

means the official responsible for the budget of an organizational unit in the municipality, directorate or institution;

“Store”

means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;

“ Store man”

means the official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.

“Stock issue note”

means a document which is used to authorize the removal or issue of stock items from stores.

2. OBJECTIVE OF THE POLICY

2.1 The policy aims to achieve the following objectives which are to:-

- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
- c) Eliminate any potential misuse of inventory and possible theft.

3. SCOPE

- 3.1 This policy applies to Rustenburg Local Municipality's inventory received by the Storeman and issued to users.
- 3.2 This policy specifically excludes:
 - a) Pharmaceutical inventory, livestock and face value forms; and
 - b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

- 4.1 In terms of the MFMA, the Accounting Officer for a municipality must:
 - a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);
 - b) Take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);
- c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1)(a) and (b).
- 4.2 **In terms of the following paragraph of GRAP 12:**
- .14 Inventories shall be recognized as an asset if, and only if,
 - a) it is probable that future economic benefits or service potential associated with the item will flow to the entity ,and
 - b) the cost of the inventories can be measured reliably

MEASUREMENT AT RECOGNITION

- .15 Inventories that qualify for recognition as assets shall initially be measured at cost
- .16 Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition

MEASUREMENT AFTER RECOGNITION

- .17 Inventories shall be measured at the lower of cost and net realization value, except where paragraph .18 applies
- .18 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
 - a) distribution at no charge or for a nominal charge ,or
 - b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

RECOGNITION AS AN EXPENSE

- .44 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write –down of inventories ,arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.
- .45 Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset

5 INVENTORY PROCEDURES

- 5.1 The procedures for inventory must be followed to ensure that:
 - a) Inventory is safeguarded at all times;
 - b) There are accurate records of quantities on hand at all times;
 - c) Optimum inventory levels are maintained to meet the needs of users;
 - d) Only authorised issues of inventory are made to users; and

- e) Items placed in store are secured and only used for the purpose for which they were purchased.

5.2 Appointment of Responsible Officials

- 5.2.1 The CFO must appoint, in writing, officials to perform the duties of a Storeman in terms of this Policy.
- 5.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

5.3 Ordering of Inventory

- 5.3.1 Each department must set its own Inventory reorder levels for all items in consultation with the CFO, the inventory levels must indicate the minimum and maximum inventory that can be maintained.
- 5.3.2 Due diligence and care shall be exercised in identifying low value and high value items of inventory
- 5.3.3 Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.
- 5.3.4 A reorder listing should be printed by Storeman and reviewed weekly by the Logistics Manager
- 5.3.5 The Storeman must use the listing as a primary source of information to complete the purchasing requisition form, attached hereto as Annexure C.
- 5.3.6 The purchasing requisition form must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the procurement section.
- 5.3.7 A copy of the purchase order form will then be forwarded by the procurement department to the receiving department, for the receiving storeman to match with goods delivery note once goods are delivered.
- 5.3.8 Orders must thereafter be filed in date sequence.
- 5.3.9 This file must form the basis for follow up of orders and for matching goods that are delivered to inventory department.
- 5.3.10 The orders file should be reviewed weekly by the Logistics Manager and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.

5.4 Receipt of Inventory

- 5.4.1 The quantity and quality of the inventory received from suppliers must be according to specifications and information on the order form.
- 5.4.2 The Storeman must compare the delivery note to the purchase order before accepting the goods.
- 5.4.3 The invoice or delivery note must match the supplier name and order number.
- 5.4.4 The Storeman must prepare the Goods Received Note to record all the inventory items ordered and in good condition
- 5.4.5 The Storeman must ensure that:
 - a) All delivery notes are signed by him/her and the driver
 - b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and
 - c) The supplier signs all amendments
- 5.4.6 The inventory received must be transferred to the secured store by the general worker with the signed Goods Received Note,
- 5.4.7 The inventories must be stored in their respective sections once they have been received as detailed in 5.5
- 5.4.7 The inventory record/register/database or system must be updated on the day the goods are received, by the stores Clerk

5.5 Storage of Inventory

- 5.5.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.
- 5.5.2 The area must be used exclusively for the storage of inventory, with limited authorised access only.
- 5.5.3 Inventory must be positioned to facilitate efficient handling and checking.
- 5.5.4 All items must be stored separately, with proper segregation.
- 5.5.5 Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.

Details on bin cards should include the following:

- a) Order number;
- b) Quantity received;
- c) Date of receipt;

- d) Quantity issued;
 - e) Date of issue;
 - f) Maximum stock level;
 - g) Re-order level;
 - h) Re-order quantity;
 - i) Closing stock; and
 - j) Any other relevant information.
- 5.5.6 Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.
- 5.5.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.
- 5.5.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.
- 5.5.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.
- 5.5.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft.
- 5.5.11 The Storeman or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.
- 5.5.12 The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.
- 5.5.13 No unauthorised persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.
- 5.5.14 Whenever a change in the Storeman occurs, an inventory count must be conducted.
- 5.5.15 An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.
- 5.5.16 Should the above not be complied with, the official taking over shall be liable for any discrepancies.
- 5.5.17 A handing-over certificate, attached here to as Annexure A, must be completed by the handing and taking over officials and a copy retained for record purposes.
- 5.5.18 The following fire protection precautions must be adhered to:

- a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
- b) The area must be clearly signposted; and
- c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

5.6 Issue of Inventory

- 5.6.1 Only the Storeman is authorised to issue inventory from the storeroom.
- 5.6.2 Inventory must only be issued in terms of the approved requisition form of the Municipality.
- 5.6.3 All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorised by the responsibility manager.
- 5.6.4 The Storeman must prepare the Stock Issue Note once stock items to be issued have been picked up from the shelves
- 5.6.5 The official receiving the inventory must acknowledge the receipt of stock items requested, by signing the Stock Issue Note prepared by the Storeman.
- 5.6.6 Inventories must be issued and used for official purposes only.

5.7 Obsolete inventory

- 5.7.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Storeman and verified by the Logistics Manager.
- 5.7.2 The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.
- 5.7.3 The Disposal Committee should consist of at least three officials, one of whom must act as the chairperson.
- 5.7.4 The delegated authority may approve the write-off of inventory, if satisfied that: -
 - a) The inventory has expired and is redundant;
 - b) The inventory is of a specialised nature and has become outdated due to the introduction of upgraded and more effective products;
 - c) The inventory cannot be used for the purpose for which it was originally intended; or
 - d) The inventory has been damaged and is rendered useless.
- 5.7.5 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

5.8 Inventory count

- 5.8.1 Items may be subject to an inventory count on a monthly basis.
- 5.8.2 Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.
- 5.8.3 All approved Municipal procedures and processes must be complied with during the inventory count.
- 5.8.4 The Storeman must document in *Annexure B* and report to the CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.
- 5.8.5 The CFO must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Executive Committee of the Municipality for the write-off of any inventories losses, or the write –up of surpluses.
- 5.8.6 The appropriate disciplinary action must be instituted when applicable.
- 5.8.7 The inventory record, register, database or system must be updated accordingly.

6 INVENTORY RECORDS

- 6.1. An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.
- 6.2 All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
 - a) Order number/date;
 - b) Item description;
 - c) Quantity and value of stock on hand;
 - d) Quantity and value of stock received;
 - e) Quantity and value of stock issued;
 - f) Re-order level;
 - g) Optimum inventory level;
 - h) Quantity and value of obsolete stock; and
 - i) Opening/closing balance.
- 6.3 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

7. REPORTING

- 7.1 A report must be submitted at least quarterly to the Chief Financial Officer and/or the Responsibility Manager detailing the following:
- a) Any inventory shortages or surpluses and the reasons for such;
 - b) Any inventory deficits proposed to be written-off; and
 - c) Any obsolete inventory items.
- 7.2 Inventories purchased during the financial year must be disclosed at cost in the disclosure notes of the Annual Financial Statements of the Municipality.
- 7.3 In terms of GRAP the financial statements shall disclose:
- a) the accounting policies adopted in measuring inventories, including the cost formula used,
 - b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
 - c) the carrying amount of inventories carried at fair value less costs to sell,
 - d) the amount of inventories recognized as an expense during the period,
 - e) the amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,
 - f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43,
 - g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph .43, and
 - h) the carrying amount of inventories pledged as security for liabilities.

8 POLICY ADOPTION

This policy has been considered and approved by the Council of **Rustenburg Local Municipality** on this day..... of 2014

ANNEXURE A:**PROCEDURES FOR ORDERING, RECEIPT, MAINTENANCE, ISSUING AND DISPOSAL OF STOCK**

NO.	PROCEDURE	FREQUENCY
1.	Ordering of Stores:	
1.1	<p>Stores reorder levels must be set for all items by the CFO which will be as follows:</p> <ul style="list-style-type: none"> • Reorder Level • Maximum Level • Minimum Level • Emergency Level 	On-going
1.2	A reorder listing should be printed weekly and reviewed by the Logistics & Materials Manager before the requisition is filled in.	On-going
1.3	<p>The Storeman:</p> <ul style="list-style-type: none"> • Must use the listing as a primary source of information to complete the purchase requisition; and 	On-going

NO.	PROCEDURE	FREQUENCY
	<ul style="list-style-type: none"> Physical inspection of stock on shelves shall be conducted before the requisition is filled in Should also consult the Water Technical Departments about inventory required for planned maintenance. 	On going
1.4	The purchase requisition must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the buying section.	On going
1.5	A copy of the purchase order form will then be forwarded by the buying section to the stores section.	On going
1.6	The order must be matched to the requisition copy to verify that the correct quantities and correct items have been ordered.	On going
1.7	Orders must thereafter be filed in date sequence.	On going
1.8	This file must form the basis for follow up of orders and for matching goods that are delivered to stores	
1.9	The orders file should be reviewed weekly by the Logistics & Materials Manager and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.	
2.	Receipt of Stock:	
2.1	Goods will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Storeman.	On going
2.2	The receiving official must match the delivery note to the purchase order, and fill out a pre-numbered goods received slip.	On going
2.3	The Stores Controller / Store-man must compare the delivery note to the relevant order before accepting the goods.	On going
2.4	The goods received Slip must be signed by the Stores Controller / Store-man as proof of acceptance of the goods.	On going
2.5	A computerised Goods Received Note or Stores Issue Requisition which reflects full particulars of receipts and	On going

NO.	PROCEDURE	FREQUENCY
2.6	issues must be maintained by the Stores Controller / Storeman and updated immediately when goods are received or issued.	Periodically
2.7	Goods that are unused after the completion of the work or the fulfillment of the purpose for which they were issued, must be returned to the store and must be included in stock.	Periodically
2.8	Goods Returned Note shall be filled in if stock is returned by the department to the warehouse. The Goods Returned Note shall be prepared by the Responsible Official and signed by the Responsible Manager The Storeman shall acknowledge the receipt of goods from the department by signing the Goods Returned Note	Periodically
3.	Maintenance of Stores:	
3.1.	Inventory and equipment belonging to the Council must be clearly marked/ bar-coded as such, to indicate ownership.	On going
3.2	Inventory belonging to the Council shall be kept in a place approved of by the CFO, subject to the conditions he or she determines.	On going
3.3	No section shall carry inventory in excess of its normal requirements, as may be determined by the CFO.	On going
3.4	The CFO shall ensure that at least once every financial year, stock-taking of all stores of the Council takes place as follows:	Annually
3.4.1	The financial year-end stock take will take place on the last day of the financial year or as close to that date as possible.	
3.4.2	All Heads of Sections and the Council's external auditors must be notified of the date of the annual year end stock take.	Annually
3.4.3	Stores must be closed at noon the day before stock take. A notice to this effect must be prominently displayed on the stores notice board.	Annually
3.4.4	In the case of an emergency, stock items may only be issued on the explicit authority of the Logistics & Materials Manager.	Annually

NO.	PROCEDURE	FREQUENCY
3.4.5	Prior to stock take, the Logistics & Materials Manager must ensure that all transactions up to the date of stock take, have been recorded. All goods received notes, requisition issues and goods returned notes should be captured onto the stores computer system.	Annually
3.4.6	An official delegated the responsibility, shall make available stock take listing sheets to auditors for recording the physical count figures.	Annually
3.4.7	Stock items must be counted in an orderly fashion from one end to the other, using the two count method by a store-man and by persons not dealing with stock on a regular basis.	Annually
3.4.8	Stock that has been drawn for use at a later date should be included in the stock-count and not expensed. Consumables should also be included in the stock-count and not expensed.	Annually
3.4.9	After each item is counted, they must be marked with a sticker to indicate that they have been counted.	Annually
3.4.10	After each item is counted, the total must be entered onto the stock sheets.	Annually
3.4.11	Stock sheets must be signed by counters and checkers.	Annually
3.4.12	On completion of the count, all stock sheets must be handed to the Logistics & Materials Manager.	Annually
3.4.13	Physical count figures will be verified to the computerised listing. The Stock Controller should not be involved in any aspect of this verification.	Annually
3.4.14	Should any discrepancies arise, a recount of the product is done, and the requisition entries are re-checked.	Annually
3.4.15	All write-offs of obsolete or damaged stock should be authorised by the CFO.	Annually
3.5.16	The Logistics & Materials Manager shall submit a report stating the quantity and value of any surplus or shortage of	Annually

NO.	PROCEDURE	FREQUENCY
3.5.17	stores revealed by the stock-take, together with the possible reasons for this.	Annually
3.6	<p>The CFO shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.</p> <p>A thorough internal control system must be established by the CFO to ensure that when a change of officials responsible for stores and equipment takes place, accountability with regard to losses and deficits can be clearly established.</p>	Annually
4.	Issue of Stock:	
4.1	Only the Storemen are authorized to issue goods from the General stores.	On going
4.2	Goods should only be issued in terms of a properly authorised requisition form.	On going
4.3	Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Logistics & Materials Manager.	On going
4.4	If the signature is not of an authorised official, the requisition should be sent back to the respective section.	On going
4.5	The Responsible Manager must verify that the correct vote is entered on the requisition for the type of goods requested and that there is sufficient budget provision against the vote.	On going
4.6	A Stock Issue Note must then be completed in duplicate. Control of the issue book is the responsibility of the Storeman	On going
4.7	The Storeman and recipient of goods must agree that the goods requisitioned, agree to the goods drawn from stores, which is consistent with the Stock Issue Note.	On going
4.8	The recipient must sign the issues note/book as evidence that the goods stated on the issue note, have been received.	On going
4.9	Once the stores have been issued, the requisition is captured into the computer system and updated by the data capture clerk.	On going
4.10		On going

NO.	PROCEDURE	FREQUENCY
	The issue note and the requisition must be filed in sequential order.	
5.	Disposal of Goods:	
5.1	The CFO must furnish the Council with a list of goods to be disposed of, together with the reasons for their disposal.	Periodically
5.2	The goods disposed of in the instance referred to above may only be handed over to the purchaser on full payment of the purchase price, or when other satisfactory arrangements for payment have been made with the CFO.	Periodically
5.3	Stores may be disposed of by public auction provided that the approval of Council is obtained.	Periodically

ANNEXURE B**HANDING-OVER CERTIFICATE**

I certify that this is a true statement of inventory as per stock report attached hereto and that inventory has been duly accounted for.

Signature of official handing over inventory: _____

Designation : _____

Date : _____

I certify that this is a true statement of inventory as per stock report attached hereto and that l
inventory has been duly accounted for

Signature of official taking over inventory: _____

Designation : _____

Date : _____

ANNEXURE C

Reference: _____

Enquiries: _____

Date: _____

FINANCIAL DEPARTMENT

Attention: Chief Financial Officer

QUARTERLY INVENTORY COUNT FOR THE PERIOD: _____

This is to certify that the quarterly inventory count has been undertaken from store number
.....to.....foritems.
(Number)

The under-mentioned discrepancies were found:

1. SURPLUS INVENTORY

	DESCRIPTION OF ITEM	QUANTITY	VALUE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

The following factors gave rise to the surplus items:

2. DEFICIT INVENTORY

	DESCRIPTION OF ITEM	QUANTITY	VALUE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Total value of issues for the period under review R _____

The following factors gave rise to the deficit items:

We certify that an inventory count of items was undertaken by:

1. Name: _____ Rank: _____ Signature: _____
2. Name: _____ Rank: _____ Signature: _____
3. Name: _____ Rank: _____ Signature: _____

HEAD OF DEPARTMENT

DATE

STOCK REQUISITION FORM

VOTE NO: _____

ANNEXURE D

RESPONSIBLE OFFICIAL: _____ CONTACT NO: _____ DEPARTMENT: _____

STOCK NUMBER	ITEM	STOCK DESCRIPTION	QUANTITY REQUESTED	PRICE PER UNIT	TOTAL
TOTAL VALUE OF STOCK REQUESTED					0.00

APPROVED BY

DEPARTMENT MANAGER: _____

DATE: _____

SIGNATURE: _____

ANNEXURE E

STOCK ISSUE FORM

VOTE NO _____

REQUESTOR _____

CONTACT NO: _____

DEPARTMENT _____

STOCK ITEM NUMBER	DESCRIPTION	QUANTITY ISSUED	PRICE PER UNIT	TOTAL COST

ISSUED BY : _____

DATE : _____

SIGNATURE : _____

RECEIVED BY : _____

DATE : _____

SIGNATURE : _____

BIN CARDS

ANNEXURE F

ANNEXURE G

RUSTENBURG LOCAL MUNICIPALITY



DRAFT: INVESTMENT INCENTIVES POLICY - 2018

AGENDA: VIRTUAL COUNCIL: 25 MAY 2021

Draft: Rustenburg Local Municipality Investment Incentives Policy (2018)

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Rustenburg Local Municipality

Draft: Investment Incentives Policy (2018)

SECTION A: INTRODUCTION

This section describes the problem statement that led to the drafting of the Investment Incentives Policy as well as applicable background information. The section serves as an introduction to the topic within which to contextualise the status quo description and the policy proposals that follows towards the end of this report.

1. Preamble

Municipalities across the world have a mandate to provide their respective communities with the best possible quality, affordable services and create suitable conditions for local business to thrive, create jobs and ensure that the municipality becomes financially sustainable. Provision of quality services is high on the priority lists of residents and business owners and is also a critical requirement for attractiveness of a city as people and corporations want to invest in a vibrant, clean, well-maintained, safe city with a highly capable and ethical administration.

Residents must be able to rely on the local government to make strategic decisions, guided by well-defined policies as procedures, that lead to prosperity for everyone who lives, visits or has business interests in the area. A municipality finds a balance between these competing but complementary responsibilities by developing and implementing dedicated instruments (strategies, programmes, projects and policies), to ensure that it succeeds in creating a quality, safe and vibrant environment for both business and ordinary residents.

One of those instruments is this Investment Incentive Policy, that is premised on the need for Rustenburg Local Municipality to ensure that the municipality achieves the outcome of attracting the necessary investment to implement economic and developmental infrastructure projects, that will ensure that the twin mandates of local municipalities are achieved.

2. Purpose of the policy

The incentive policy must create a connection between the municipal strategic intent and the strategy implementation document (Integrated Development Plan) and sector plans like the Spatial Development Framework, Land Use Management Scheme, the Local Economic Development Strategy and all the other infrastructure and environmental management plans.

The overarching purpose of this policy as articulated in Chapter 7 of The Constitution of the Republic of South Africa, mandates municipalities, per section 152 (1)(b) and (c) to ensure the provision of services to their communities in a sustainable manner; and; to promote social and economic development, respectively. Therefore, this policy seeks to identify relevant and effective internal instruments Rustenburg Local Municipality requires to achieve sustainable service delivery, social development, economic diversification and growth.

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What the municipality needs to do is to identify the favourable conditions required for local, national, international capital owners to have enough confidence in the area to invest in its people and local economic growth. The policy will provide detail on the specific packages offered, the conditions that need to be met by potential investors to access such packages, how those will be implemented by the municipality and the required measurement criteria. The intention of this policy is to:

- Identify the package of incentives required to effectively attract investors to the city
- Create conditions suitable to the attraction and retention of investment, like reducing the cost of doing business and expediting approvals and appointments within the prescripts of legislation
- Establish mechanisms to expedite implementation of innovative, environment friendly, economic and social infrastructure investment in a cost effective and efficient manner
- Expedite creation of targeted sustainable urban planning, urban regeneration and township development to enhance the liveable city priority
- Ensure that skills development, sustainable jobs and procurement opportunities are created for locals through implementation of all government policies and projects, in a fair, easy to understand, easy to access with clear and consistent measurement criteria
- Define minimum standards (conditions) required for submission of applications, consideration and elimination of applications for incentives
- Ensure that the local environment is cared for through implementation of innovative green economy projects for future generations

3. Legislative context

The incentives policy is guided by the following Government legislation, policies, strategies and programmes:

- The Constitution of the Republic of South Africa
- National Development Plan 2030;
- National Industrial Development Framework;
- Industrial Policy Action Plan;
- Rustenburg Integrated Development Plan
- Rustenburg Spatial Development Framework
- Rustenburg Integrated Masterplan
- Rustenburg Local Economic Development Strategy

4. Problem statement

Rustenburg Local Municipality is a world-renowned of Platinum Group Metals mining area with a population of over 630 000 growing at an annual rate of 3.5%. Because of this character, it has an economy that is highly dependent on the mining, which has both economic advantages, disadvantages and risks.

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Identified advantages to the mining activities are that the economy of the city can absorb a high number of job-seekers but conversely, attract a lot of hopeful job seekers who end up adding to the unemployment rate of the city. Statistics South Africa (2011 Census) reported that unemployment rates in Rustenburg are approximately 26.4% for the general population and the youth unemployment rate is at a troubling 37%. Low formal education and skills levels contribute to this situation.

Mining is finite and as such, not a sustainable economic activity. It is also vulnerable to external macro-economic factors. A reported downward trend in the production and sales of Platinum Group Metals (PGMs), per Statistics South Africa (Mining: Production and Sales; P2041 of February 2018) points to a bleak outlook for the economic sustainability of the city, as local mines look to downscaling production and retrenching employees. Other disadvantages to high mining activities are that the same operations undermine other economic sectors, land use, land distribution, agricultural production, tourism, consumption of municipal services, environmental impacts and pressure on housing provision. Such negative impacts of a dominant mining sector need strategic intervention contained in this policy.

The challenge for the municipality is to reduce the vulnerability of the local economy to external factors by working to diversify the local economy and ensure financial, social and economic sustainability of the area by developing mechanisms to attract and retain investment in education, technical and professional skills levels, infrastructure, agriculture and other catalytic projects and programmes like the renewable energy in the green economy. This can only be achieved by capitalising on the competitive and comparative advantages that the city has; like

- Location on the spine of major road networks (N4, provincial roads (R24 and R510),
- Existence of tourism routes, heritage sites,
- Being within reach of countries in the Southern African Development Community (SADEC), and,
- Being the economic hub of the North West Province.

Assumptions made, based on the information above, that need to be resolved are:

- A local economy that is highly dependent (tress index of over 65%) on a declining PGM mining production and sales output threatens the sustainability of the city beyond mining
- An above average (3.5%) inward migration of people hoping to be employed in local mines puts pressure on the provision of municipal services (housing, water, sewerage, waste removal and electricity provision)
- A depressed or declining output of local economic sectors (mining, agriculture, tourism, manufacturing, energy) contributes to the high unemployment rates. As at 2011, 196 123 of the 266 471 residents, aged between 16 – 65 were employed. A total of 105 188 young people were identified as unemployed.
- A favourable business environment will promote and attract capital investment
- Ease of access to investment capital, premised on provision of quality basic services, enhances growth of businesses in the municipality
- Clearly defined and easy to apply investment procedures will create business confidence from the investors, entrepreneurs and beneficiaries

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The Investment Incentives Policy aims to address these identified problems by creating targeted investment attraction packages to:

- Enhance the creation of a favourable environment that will attract and retain capital investment in the local economy.
- Improve levels of business confidence in the municipality to enhance investor confidence.
- Address the high cost of creating greenfield infrastructure projects in the municipality.
- Ensure efficiency in receiving, processing and approving applications for identified incentive packages within applicable legislation
- Promote the establishment of professional project teams that will expedite innovative programme and project implementation
- Create suitable conditions for locals including SMMEs, to participate in the implementation of catalytic projects through education, skills transfer and capacity development programmes
- Ensure that local employment is also enhanced to reduce dependency and poverty levels in the municipality

The Investment Incentive Policy therefore focuses on improving systems, processes and mechanisms to coordinate investment and development facilitation to promote a more organized and transparent investment and development application processes and improve turnaround times. The policy further identifies key pillars necessary to achieve its objectives and unlock the city's development potential. These pillars include land release, delegations of authority, development and / or review of bulk contributions policies.

5. Defining Incentives and Development Charges

5.1. Incentives

“non-market benefits used to influence the behaviour of an economic actor”.

For investors, incentives may be defined as any measurable advantages (in the form of fiscal, financial, or non-financial incentives) accorded to specific enterprises or categories of enterprises by (or at the direction of) a government, to encourage investors to behave in a certain manner.

5.2. Financial incentives

These may include direct grants and cost sharing schemes, lending instruments and guarantees. It may also refer to discounted prices on the market value of land or the direct provision of land on terms more favourable than that available on the open market.

5.3. Non-financial incentives

This refers to technical or business support incentives: Services to support investors in setting up and running their operations (often provided by an investment promotion agency). These can include preferential treatment and streamlined administrative processing, administrative consulting, direct administrative assistance, relocation support and support to *ex patriate* employees of the investor business. Cities can also provide business-centric research, market intelligence, opportunity identification, project packaging and industrial clustering and support.

5.4. Development charges

Development charges are once-off fees applied to offset the additional public-service investment cost resulting from an intensification of land use. These charges are an important component of a sustainable system of municipal infrastructure financing. The general concept of a development charge is that the urban growth and expansion of new land use development creates the need for additional infrastructure services. These services, which are an essential part of land use development, are a direct cost generated by that development and should therefore be paid for by the land developer to avoid the financial burden being imposed on municipalities or existing communities.

Development charges can and should cover a significant portion of the costs of providing infrastructure that supports economic growth. They are a strategic and efficient source of capital finance to pay for new infrastructure that supports economic growth.

The following are principles underpinning development charges:

- **Equity and Fairness:** Development charges should be reasonable, balanced and practical to be equitable to all stakeholders;
- **Predictability:** Development charges should be a predictable, legally certain and reliable source of revenue to the municipality for providing the necessary infrastructure;
- **Spatial and economic neutrality:** A primary role of a system of development charges is to ensure the timely, sustainable financing of required urban infrastructure. They should be determined on identifiable and measurable costs.
- **Administrative ease and uniformity:** The determination, calculation and operation of development charges should be administratively simple and transparent.

5.5. Fiscal or tax incentives

Fiscal or tax incentives may refer to exemptions or Income excluded from the tax base. It may also refer to allowances which are amounts deducted from gross taxable income. Credits or rebates are allowances which are amounts deducted from gross taxable income.

SECTION B: BACKGROUND OF INVESTMENT INCENTIVES

This section describes the current reality in the investment incentive environment. Holders of investment capital demand high returns on their investment due to the scarcity of capital resources, stringent controls placed by governments on financial flows and the increasing pressure for municipalities and other businesses to become financially viable.

6. Creating sustainable competitive advantage

Municipalities must craft innovative strategies to address the twin challenges of providing basic services and ensuring that the local conditions are conducive for the growth of the economy. In Rustenburg Local Municipality (RLM), the IDP provides a strategic plan to address most of the challenges. However, due to lack of financial resources for economic projects, economic infrastructure projects do not get adequate financial injection, thus the need for domestic and foreign direct investment attraction.

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The fact that there are natural resources, adequate and competitive labour and other advantages does not make Rustenburg an investment destination of choice.

Attractiveness of a place for foreign direct investment to create sustainable competitive advantage requires innovative strategies and projects. These identified, and priority projects have been selected to create a diverse portfolio for interested investors and stimulate the economic growth of Rustenburg.

- Manufacturing: Logistics Hub, Mining Supplier Park, Factory Shops
- Tourism: Convention Centre and hotel, Flea market, Tourism and Heritage routes
- Agriculture and agro-processing: Fresh Produce Market, Urban Agricultural Hubs
- Green economy: Renewable and alternative energy production (solar, wind, mining, agricultural and landfill waste)
- Circular economy: Recycling and reusing of waste products
- Education: Centre for Science and Research Innovation, Tertiary Education Institutions
- Transport: Airport development, Bus Rapid Transport (RRT)
- CBD Regenerations
- Approved Precinct Development

7. Principles influencing investment decisions

7.1. Achievable and relevant performance criteria

Incentives must be tied to achievable and relevant performance criteria with clear and unambiguous mechanisms for monitoring and enforcement. Examples of conditions for the granting of incentives range from compliance with basic regulations to job creation and training targets.

7.2. Public access

All investment incentives should be published for ease of access by the general business community and public.

7.3. Legality and compliance

Tax incentives must comply with all relevant policy and legislation. Incentives should not be provided to companies which are not in compliance with the law. Incentives should align with core labour, health, safety and environmental standards. The investment incentives policy must be in line with national and provincial planning guidelines.

7.4. Low administrative complexity and clear criteria for granting rule-based incentives automatically

Transparent and objective eligibility criteria must be used to grant access to incentives. Unless incentives are tied to pre-defined, public, and rule-based systems they become vulnerable to corruption investor confusion and information asymmetries. Eligibility for incentives provided by law should be based on clearly defined, easy to understand, predetermined criteria. Qualifying criteria should be consistently applied to all businesses applying for incentives without prejudice.

Incentives should not be granted through special permission or certification by investment promotion agencies, ministries of trade, or other government agencies. Ascertaining whether a business is eligible for an incentive and subsequently obtaining an incentive should be a simple task for investors and be based on the submission of pre-determined criteria and easily provided evidence of eligibility. This approach ensures prompt decision making and quick turnaround times for investors.

7.5. Employment creation

Investment incentives must consider temporary and sustained job creation in the private sector. Private investors and entrepreneurs must create both temporary jobs and permanent employment during start-up and sustained operations.

7.6. Affordability of full financial costs

Determine the full financial costs of incentives under all possible circumstances. It is possible that incentives decrease tax income initially but increase tax income in the long-run. However, all incentive packages must be affordable and allow the municipality to meet its service delivery targets. High impact, low cost incentives should be targeted. Mitigate indirect costs of incentives.

7.7. Transparency

Information on incentives policy and the availability of incentives should be public knowledge. Freely provide local and foreign investors with information on existing incentives in the most open and public way possible. All incentives available should be clearly spelt out in full detail and kept up-to-date on the Municipality's website (www.rustenburg.gov.za) or another dedicated public website.

7.8. Clear identification of those responsible for implementation

Establish who (committee, agency, directorate or authority) is responsible for incentive implementation and for ensuring that the objectives and criteria for incentives are met.

7.9. Spatial inclusivity

Investment incentives that target specific sectors or businesses may run the risk of exacerbating spatial inequality. Investment incentives should include marginalised communities where possible. Policies that correct market or regulatory failures in all areas should be considered. However, this should be in line with the Spatial Development Framework.

7.10. Complementarity and alignment (national and provincial)

National, provincial and district government currently provide various programmes and packages that incentivise investment and job creation. Incentives offered by Rustenburg Local Municipality should align with these to enhance their impact. Furthermore, the RLM investment incentives policy should directly reflect its mandate as a separate and independent sphere of government i.e. it should relate to incentives that Rustenburg can uniquely provide.

7.11.Continuous review

The impact of the incentives on investment decisions will only be apparent when the investment incentives policy is implemented. Investment incentives need to be reviewed regularly to mitigate unintended consequences through adjustments. The review process will be made easier and more effective by keeping incentives simple, keeping records, and evaluating results. The full package of investment incentives should also be reviewed for effectiveness and investor popularity after a fixed period

SECTION C: POLICY DIRECTIVES

This section deals with the proposed incentive policy in line with the Municipality's vision and strategic objective.

8. Priority strategic programmes

These Municipality's developmental programme is guided by the spatial development framework which has six priorities which should direct the application of the proposed incentives:

Priority 1: Integrated spatial development supported by the required bulk infrastructure development

Priority 2: Accelerated and shared economic growth supported by creation of spatial economic opportunities

Priority 3: Sustainable use and management of natural resources

Priority 4: Integration of land use and transport development

Priority 5: Creation of sustainable settlements through access to appropriate housing and social facilities. (housing projects; informal settlements).

Priority 6: Creation of opportunities for sustainable rural development

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9. Eligibility

The following provides guidelines in terms of eligible projects which the Municipality will consider for incentives applications.

Criteria for consideration

PRIORITY SECTOR / PROGRAMME	PROJECT TYPE	MIN INVESTMENT (R')
Education	Education precinct / facility / infrastructure / supporting amenities (student accommodation, retail development, etc.)	R100m
Agricultural Development	Urban Agriculture Hubs, Rural Agricultural projects / hubs, Agro-processing projects	R20m (primary agriculture development) R50m (agro-processing project)
Industrial Development	Logistics, Mining Supply, Green Economy, Manufacturing	R100m
Tourism	Convention centre, Hotel, Tourism Park	R100m
CBD Regeneration Projects	Single and Mixed-use high rise (Commercial, Residential and Retail),	R100m
Mixed Use Development	Combination of 3 or more land-uses, etc.	R300m
Precinct Development	Residential, Retail, Logistics, etc.	R50m

Assessment Criteria

CATEGORY	WEIGHT %	Score Max 10	Total Score
Local Content and Procurement	15		
Bankable Business Plan and Financial Model	15		
Company Profile and Relevant Industry Experience	15		
Total Capital Investment Value	15		
Job Creation	10		
Green Economy	10		
Access to Market	5		
Skills Development	5		
Concept Design	5		
CSI Spend	5		
TOTAL	100	100	

POSSIBLE MAXIMUM SCORE: 1000. MINIMUM QUALIFYING SCORE ACCEPTABLE: 700

10. Role of Municipal Directorates

Directorates in the municipality each have a critical contribution to the Investment Incentive Policy and the packages on offer including the implementation thereof. Each unit must present possible concessions regarding applications complexity and costs, processing and turnaround times. These must be analysed for value so that potential investors can appreciate the savings on offer. Care must be taken to apply the basic principles of this policy in making the decisions.

11. Proposed Investment Incentives

In South Africa, the Department of Trade and Industry (the dti) offers a set of incentives through the fiscus to encourage development and investment in various sectors such as manufacturing, agriculture, tourism and film. Other incentives from the Department of Trade and Industry (the dti) are tailor-made to attract and retain investments in the automotive, business processes, outsourcing and offshoring industries. While the Department of Trade and Industry (the dti) incentives go a long way in making South Africa more competitive. These incentives generally apply nationally. Cities still must compete for such investments. This makes the provision of investment incentives by cities an important ingredient in developing a city's competitiveness.

International best practice acknowledges the benefits of both financial and non-financial local incentives to investors in addition to the National Government incentives. It is recommended that Rustenburg follows the same practice to offer both financial and non-financial incentives

12. Financial Incentives

The Financial Investment Incentives proposed through this policy are described below.

12.1. Incentive F1: Electricity Rates Rebate

A monthly rate rebate as a percentage of total electricity consumed per month per new customer, as per the categories listed, for a period not exceeding 3 years, as follows:

Year	Action to follow	Rebate
Year 1	Rand value to be quantified/estimated in each case	20%
Year 2	Rand value to be quantified/estimated in each case	15%
Year 3	Rand value to be quantified/estimated in each case	10%
Year 4	Revenue Neutral	0%

The following rules apply, for practical implementation:

- Commencement date for the Year 1 rebate countdown – to be determined in each case, in consultation with the investor. The commencement date may be postponed, up to a maximum of 12 months from the date on which the connection was activated.

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In the period preceding the commencement date agreed upon, full energy rates will be applicable, subject only to demand charges exemption, upon prior request, as specified in the Energy Tariffs schedule.

- A Notified Maximum Demand (NMD) must be stated by these customers. The full Network Access Charges (NAC) values, will be payable from the month in which the electricity connection is activated by. In cases where the NMD is understated, the understated value will be clawed back once it becomes evident.
- Upon completion of the 3-year period, the normal tariff clauses will be applicable in relation to the NMD and NAC values.

12.2. Incentive F2: Water Rates Rebate

A monthly rate / service tariff rebate as a percentage of total water and sewerage consumed per month per new customer, for a period not exceeding 3 years, as per the table below. This rebate is only available for investments above R100-million.

Year	Action to follow	Rebate
1	Rand value to be quantified/estimated in each case	20%
2	Rand value to be quantified/estimated in each case	15%
3	Rand value to be quantified/estimated in each case	10%
4	No rebate	0%

12.3. Incentive F3: Estate Rental Rebate

A rental rebate on council owned land will be provided as per the table below.

Qualifying project phase	Qualifying lease period	Qualifying investment value	Rebate	Maximum Duration
Planning	Less than 10 Years	Less than R100 million	100%	12 Months
Planning	More than 10 Years	More than R100 million	75%	12 Months
Construction	Less than 10 Years	More than R100 million	50%	12 Months

The rental rebate will only be applicable and effective from the date of the signing of the lease agreement.

The lease agreement for the qualifying project should be subjected to 12 months for the development to commence from the date of signing the agreement or a similar condition in compliance to the land disposal policy.

13. Nonfinancial Incentives

Non-Financial Investment Incentives formalised through this policy are described below.

13.1. Incentive NF1: Catalytic Projects Fast-Track Committee

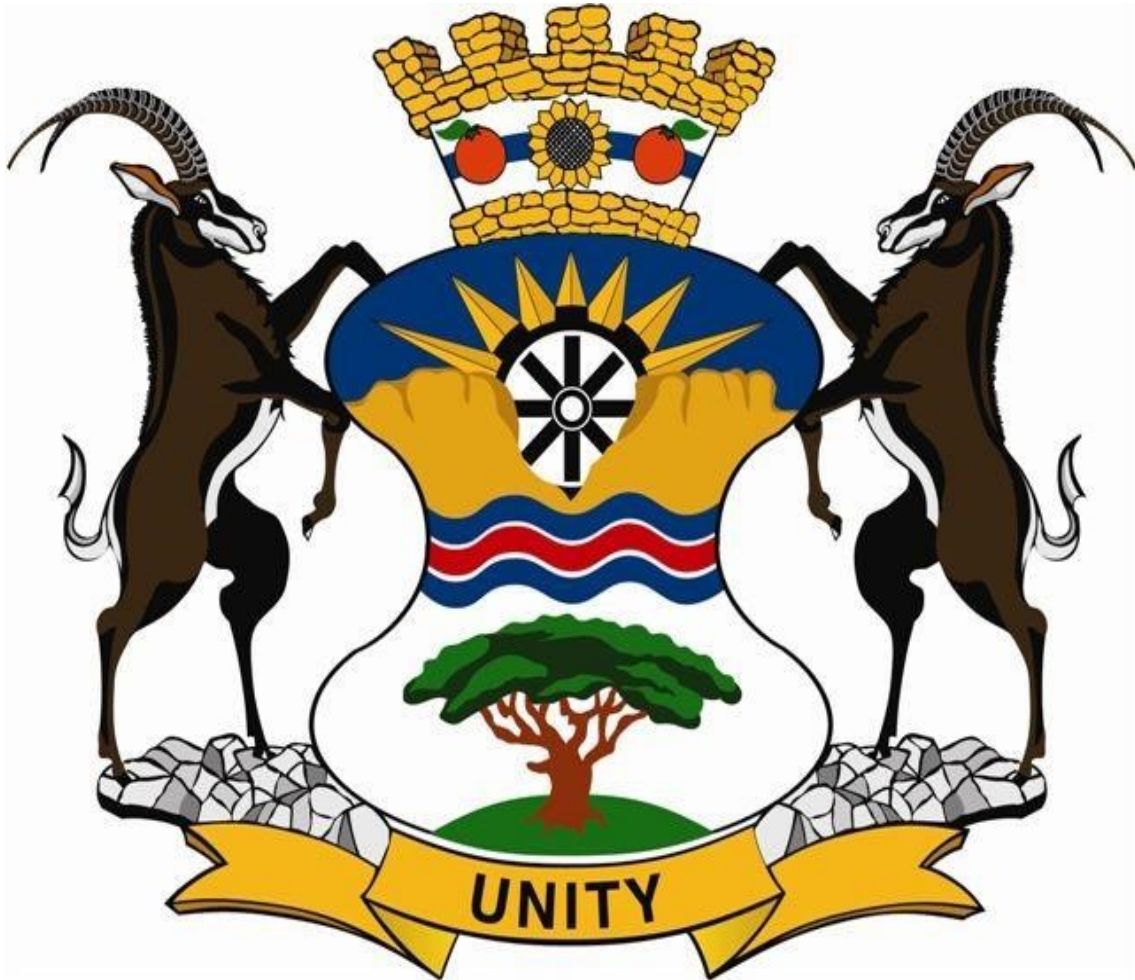
Catalytic projects fast-tracking committee has been established to fast track investment and development proposals. The fast-tracking of investments and development proposals contributes towards reducing the cost of doing business as it improves the turnaround time for decision making. The Local Economic Development Directorates is establishing a one-stop office that will also improve the interaction with investors and developers and provide ease of access to Municipality's services relating to investment and development facilitation.

SECTION D: MONITORING AND EVALUATION

The incentives applications and their impact will be monitored by the Catalytic Projects Fast-Tracking Committee. The Local Economic Development Directorate will evaluate the impact of the incentives policy on an annual basis. Depending on the investment and macro-economic environments, the policy may be updated to ensure relevance and cost efficiency.

RUSTENBURG

LOCAL MUNICIPALITY



PETTY CASH POLICY

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INTRODUCTION

Section 62(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Therefore, the Rustenburg Local Municipality adopts the following petty cash policy

POLICY STATEMENT

1 Petty cash are funds to be used for small incidental purchases. Procedures have been established to encourage an effective administration and internal control of cash handling operations throughout the Rustenburg Local Municipality

2. REGULATORY FRAMEWORK

Legislation – Municipal Finance Management Act 56 of 2003

3. OBJECTIVES

The aim of the policy is to ensure that the petty cash funds of the municipality are managed and controlled effectively, efficiently, economically and transparent in accordance with the procurement processes of the municipality and the prescribed legislation.

4. DEFINITIONS

Accounting Officer: means the municipal officials referred to in section 60 of the MFMA (2003) and include a person acting as the accounting officer.

Chief Financial Officer: The person designated in terms of section 80(2) (a) of Act 56 of 2003 (MFMA), and includes any person acting in that position or to whom authority is delegated.

Petty Cash Float: The total sum of Petty Cash which has been granted to a Petty Cash Officer

Petty Cash Officer: An employee, made responsible for the day-to-day operating of the Petty Cash Float.

Reconciliation: Is the process of comparing information, for example cash spent, compared with the relevant documentation and receipts.

5. RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of the MFMA (Section 65) are: Accounting Officer (Municipal Manager)-

1. The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
2. The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure:
 - a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
 - (b) that the municipality has and maintains a management, accounting and information system which:
 - (i) recognises expenditure when it is incurred; and
 - (ii) accounts for payments made by the municipality;
 - (c) that payments by the municipality are made directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed.

6. PETTY CASH POLICY

6.1 General Policy

- a) The use of a petty cash float (a float may not exceed R10 000.00) is strictly confined to individual cash purchases of up to a maximum of R500.00 inclusive of VAT, unless authorized, to exceed the prescribed amount, by the Chief Financial Officer;
- b) The expenditure regarding petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit;

6.2 A petty cash float is not to be used for any of the following:

- a) the cashing of cheques;
- b) loans to any person whatsoever;
- c) payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason, unless authorized by the Chief Financial Officer;
- d) for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;
- e) no approved store items may be purchased by means of a petty cash transaction;
- f) no fixed assets may be purchased by means of a petty cash transaction; and

- g) any purchase violating the true meaning of petty cash transactions, or petty cash purchases from a trading creditor that does exist on the financial system will be regarded as a deviation from the accepted accounting practices in the use of Petty Cash. Unless authorised by the Chief Financial Officer, deviations will be regarded as serious offences and will lead to disciplinary action;
- h) Other cash floats may also be established for the purpose of providing change for a cash register, or any purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established and does not form part of the scope of this policy;
- i) The Internal Audit section may conduct internal audits to evaluate compliance with this policy.

6.3 Request for reimbursement and Completing a Cash Purchase Claim Form

- a) Request for Petty Cash reimbursement must be authorised (signing on the receipt / invoice) by a delegated official, Head of Department or Manager as approved by Council, on the receipt.
- b) The recipient must sign the Petty Cash voucher as proof of receipt and to verify that the amount is correct.
- c) Petty cash claim forms are available from the designated petty cash official responsible for the petty cash in a department/section;
- d) The Cash Purchase Claim must be completed as follows:
 - (i) description and cost of the goods/services purchased;
 - (ii) purchaser's signature;
 - (iii) correct vote number with an adequate budget to be charged; and
 - (iv) signature of the Officer in Charge of Petty Cash;
- e) Original receipts and other valid documentation as required must be attached as proof of payment, with the signature of an appropriate financial delegate on this documentation. The receipt and invoice must be in a formal business format. Receipts must set forth the complete description of the purchase. When a vendor's printed invoice is used as a receipt, the invoice must clearly indicate that it has been paid;
- f) A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser.
- g) The official signatory must ensure that funds are available on the budget, prior to submitting claims.

6.4 Documentation control

- a) All documentation (Petty Cash voucher and receipts), applicable for the period between replenishments, must be kept in the lockable cash box which will always be kept in a locked, fire- and thief resistant safe.
- b) With replenishment, the above documentation together with the reconciliation sheet must be attached to the payment voucher.
- c) The locked petty cash box must be kept in a secure place when not in use and should be removed and returned by the responsible staff member only. At no stage should staff other than the responsible administrative/clerical staff member have access to the petty cash box;
- d) Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe;
- e) If the responsible Petty Cash Officer is either going on leave or is leaving the Municipality's employment, the Petty Cash Officer must perform a reconciliation and a Summary Claim Cover Page compiled, before possession of Petty Cash, can be handed over. The Summary Claim Cover Page must be signed by both the Petty Cash Officer and the recipient, in order to verify that the amount in cash, correspond with the balance on the Summary Claim Cover Page; and
- f) When the Petty Cash is returned to the Petty Cash official, the same processes must be followed.

6.5 Reconciliation

- a) A request for replenishment must be supported by a reconciliation sheet compiled by the Petty Cash official.
- b) The above sheet must be signed by the Petty Cash official and authorised by the Accountant / Manager / Section 56 Appointments or Municipal Manager
- c) Such reconciliation must be done at least once a month.
- d) A year-end reconciliation and replenishment must be done, at 30 June.

6.6 Out-of-Pocket Payments

- a) Where a staff member has made a purchase from own funds and seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim;
- b) The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s); and
- c) The recording-, documentation- and authorization requirements must be stated.

Recommended by:

Date:

(Municipal Manager: Mr Victor Makona)

Approved by:

Date:

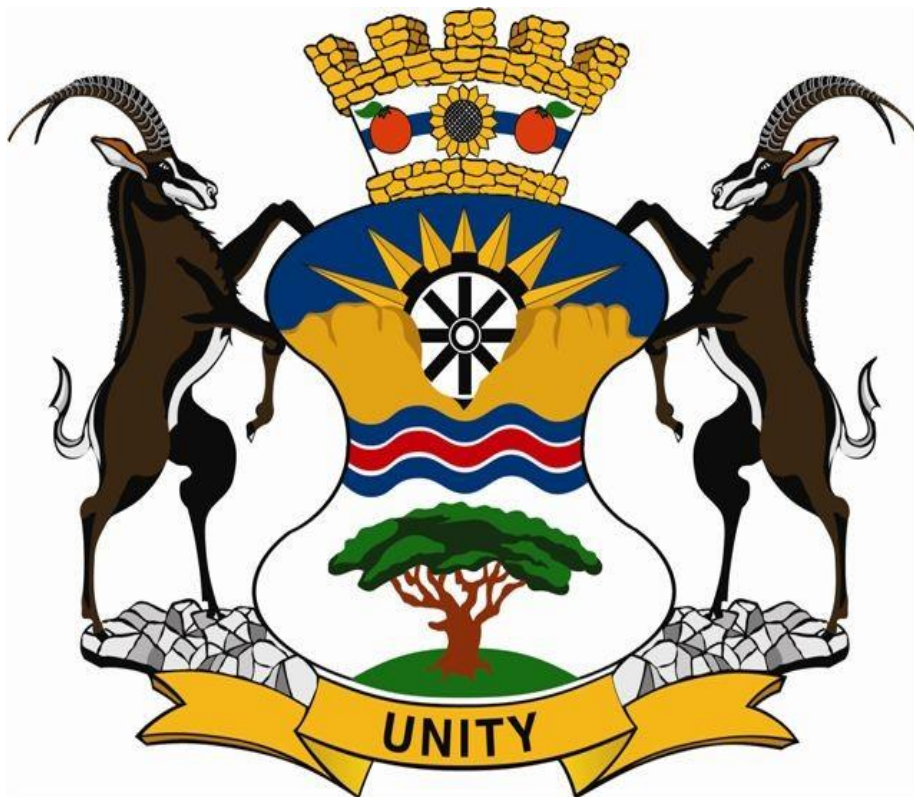
(Speaker: Mrs SK Mabale Huma)

Resolution Number

Date:

RUSTENBURG

LOCAL MUNICIPALITY



RATES POLICY

PREAMBLE

- (1) **WHEREAS** the Constitution of the Republic of South Africa, 1996, and the Local Government: Municipal Property Rates Act, Act 6 of 2004, as amended by the provisions of the Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014 (hereinafter referred to as “the MPRA”), empowers the Rustenburg Local Municipality (hereinafter referred to as “the Municipality”) to impose rates on property;
- (2) **AND WHEREAS** in terms of section 4(1)(c) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereinafter referred to as “the Systems Act”), the Municipality may, *inter alia*, levy rates on property to finance the operational expenditure of the Municipality;
- (3) **AND WHEREAS** in terms of section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”), the Municipal Manager of the Municipality appointed in terms of section 82 of the Local Government: Municipal Structures Act, Act 117 of 1998 (hereinafter referred to as “the Structures Act”), must, in his capacity as the accounting officer of the Municipality, ensure that the Municipality has and implements a rates policy;
- (4) **AND WHEREAS** the Municipality:
 - (a) must, in terms of section 3(1) of the MPRA, adopt a policy consistent with the MPRA on the levying of rates on rateable property within the municipal area of the Municipality;
 - (b) must, in terms of section 6(1) of the MPRA, adopt by-laws to give effect to the implementation of its rates policy;

- (c) must, in terms of section 5(1) of the MPRA, annually review, and may, if necessary, amend this policy. Proposals for reviewing this policy must be considered by the Municipality in conjunction with its annual operating budget; and
 - (d) may, in terms of section 22 of the MPRA, levy an additional rate on property in a special rating area and, in doing so, may differentiate between different categories of property;
- (5) **NOW THEREFORE**, this policy has been drafted in compliance with the provisions of sections 3(1) and 6(1) of the MPRA, and must be read within the context of the MPRA, and in as far as required, supplemented and amplified by the MPRA.

Commented [mm1]: Incorporation of illegal use into the policy and charge a higher tariff
Categorize all residential properties to be the same and distinguish them by charging a different tariff
Garages and all exclusive use must be the same.
All properties categorized as business must be charged the same tariff e.g must not have different ratings for

THE RUSTENBURG LOCAL MUNICIPALITY: RATES POLICY

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CHAPTER 1**INTRODUCTORY PROVISIONS****1. DEFINITIONS**

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MPRA will have the meaning assigned thereto by the said act. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“account”	Means the account furnished to an owner by the Municipality once the owner becomes liable for the payment of rates and which reflects the amount due to the Municipality by such owner in respect of the rates, and depending on the context may also refer to an “account” as defined in terms of the provisions of the Credit Control & Debt Collection Policy and By-Law of the Municipality.
1.2	“agent”	In relation to property, means a person appointed by the owner of such property: (a) to receive rental or other payments in respect of the property on behalf of the owner; (b) to make payments in respect of the property on behalf of the owner.

“C”		
1.3	“certificate of occupancy”	Means the certificate of occupancy issued by the Municipality in terms of the provisions of section 14 of the National Building Regulations and Building Standards Act, Act 103 of 1977.
1.4	“consent use”	Means the purpose for which land may lawfully be used and on which buildings may be erected and used only with the consent of the Municipality.
1.5	“Council”	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.6	“current monthly rates”	Means the rate levied on a property in the month immediately preceding the month in which application for a rebate has been made, where such application is required in terms of this policy, and in all other events, the month preceding the month in which the rebate will come into operation.
“E”		
1.7	“exemption”	In relation to the payment of a rate, means an exemption granted by the Municipality in terms of the provisions of section 15 of the MPRA.
“F”		
1.8	“financial year”	Means the period commencing on the 1 st day of July in any calendar year and ending on the 30 th day of June of the following calendar year.
“I”		
1.9	“Income Tax Act”	Means the Income Tax Act, Act 58 of 1962.
1.10	“indigent support”	Means the financial and other support, discounts, subsidies and assistance which the Municipality

		renders to Registered Indigents and households headed by Registered Indigents.
“L”		
1.11	“Land Use Management Scheme”	Means the Land Use Management Scheme adopted by the Council in terms of the provisions of the Town Planning and Townships Ordinance, Ordinance 15 of 1986.
1.12	“low cost residential property”	Means a property which was obtained by the owner thereof, being the beneficiary of a subsidy availed to such owner in terms of the Housing Subsidy System, as provided for in the Housing Code, 2009, read with the provisions of the Housing Act, Act 107 of 1997.
“M”		
1.13	“MFMA”	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.14	“MPRA”	Means the Local Government: Municipal Property Rates Act, Act 6 of 2004 2004 as amended by Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014.
1.15	“MPRA Rate Ratio Regulations”	Means the Municipal Property Rates Act: Regulations on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the provisions of section 83 of the MPRA and published in GN R195 in GG 33016 of 12 March 2010.
1.16	“Municipality”	Means the RUSTENBURG LOCAL MUNICIPALITY (also referred to as the “RLM”), a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act, read with the provisions of Chapter 7 of the Constitution of the Republic of South Africa and sections 12 and 14

		<p>of the Local Government: Municipal Structures Act, Act 117 of 1998, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at the Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and includes:</p> <p>(a) its successor in title; or</p> <p>(b) a functionary exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act; or</p> <p>(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.</p>
“N”		
1.17	“non-residential property”	Means all properties (including all undeveloped properties) other than those defined as “residential property”.
“P”		
1.18	“public service infrastructure”	Means public service infrastructure as defined in the Municipal Property Rates Act, Act 6 of 2004.
“R”		
1.19	“rateable property” and “property”	Means property on which the Municipality may in terms of the provisions of sections 1, 2 and 7 of the MPRA levy a rate, excluding property fully excluded from the levying of rates in terms of the provisions of section 17 of the MPRA and including a) immovable property registered in the name of a person,

		including, in the case of a sectional title scheme, sectional title unit registered in the name of a person; b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against property; c) a land tenure right registered in the name of person of granted to a person in terms of legislation, or d) public service infrastructure.
1.20	“ratepayer”	Means any owner of rateable property as well as any owner of rateable property held under sectional title, situate within the municipal area of the Municipality.
1.21	“rates”	Means a municipal rate on property levied in terms of section 229(1)(a) of the Constitution and section 2(1) of the MPRA.
1.22	“rebate”	Means a discount granted in terms of the provisions of section 15 of the MPRA on the amount of the rate payable on the property.
1.23	“reduction”	Means the lowering in terms of the provisions of section 15 of the MPRA of the amount for which the property was valued and the rating at that lower amount.
1.24	“Registered Indigent”	Means a person who has applied to the Municipality in terms of the Indigent Policy of the Municipality to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent on the Indigent Register, as contemplated in terms of the Indigent Policy of the Municipality
1.25		
“S”		

1.26	“school”	Means a school as defined in terms of the South African Schools Act, Act 84 of 1996 and include both a private and a public school.
1.27	“Sectional Titles Act”	Means the Sectional Titles Act, Act 95 of 1986.
1.28	“Social housing”	Means property registered in the name of the institution accredited in terms of the Social Housing Act 16 of 2008 which provides or intends to provide rental of co-operative housing options for households with a gross monthly household income less than the maximum housing subsidy income limit. Such property owners must also be registered with the South African Revenue Services as a Public Benefit Organization in terms of Section 30 of the Income Tax Act of 1962, read with Ninth Schedule to the Act.
1.29	“State”	In so far as it relates to property owned and used by the State, means property owned and used by the National Government and North West Provincial Government for the provision of community type services, including but not limited to police stations, hospitals. All other property owned and utilised by the State will be classified in accordance with its zoning i.e. business for offices, residential for housing schemes etc.
1.30	“Structures Act”	Means the Local Government: Municipal Structures Act, Act 117 of 1998.
1.31	“Systems Act”	Means the Local Government: Municipal Systems Act, Act 32 of 2000.
“T”		
1.32	“technical and other colleges”	Means a public college and a private college as contemplated in the Further Education and Training Colleges Act, Act 16 of 2006.

1.33	“the/this policy”	Means the Property Rates Policy of the Municipality as adopted by the Municipality in terms of the provisions of section 3(1) of the MPRA.
1.34	“threshold”	Means the amount, determined from time to time by the Municipality during its annual budget process referred to in section 12(2) of the MPRA, to be deducted from the market value of residential properties, resulting in rates to be determined on the balance of the market value of such properties only.
“V”		
1.35	“valuation roll”	Means a valuation roll prepared in terms of the provisions of section 30 of the MPRA or a supplementary valuation roll prepared in terms of the provisions of section 78 of the MPRA.
“Z”		
1.36	“zoning”	Means the purpose for which land may lawfully be used or on which buildings may be erected or used, or both, as contained in the applicable Land Use Management Scheme, or any revision or amendment thereof, and “zoned” has a corresponding meaning, provided that where a property carries multiple zoning rights, the categorisation of such property will be in accordance with the highest rating category.

2. AIM AND PURPOSE

- (1) This policy constitutes the policy as contemplated in terms of the provisions of section 3(1) of the MPRA and the aim and purpose of this policy is as set out in the provisions of section 3(3) of the MPRA.
- (2) The aim of this policy is to:
 - (a) ensure that all owners of rateable property are informed about their liability for rates;
 - (b) specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates as contemplated in terms of the provisions of section 15 of the MPRA;
 - (c) empower the Municipality to specify a threshold at which rating in respect of residential properties may commence as provided for in terms of the provisions of section 15(1)(a) of the MPRA, which it is authorised to do;
 - (d) set out the criteria to be applied by the Municipality when it:
 - (i) increases rates; and
 - (ii) levies differential rates on different categories of property;
 - (e) provide for categories of public benefit organisations, approved in terms of the provisions of section 30(1) of the Income Tax Act, Act 58 of 1962 (hereinafter referred to as “the Income Tax Act”), which are ratepayers, and who may apply to the Municipality for relief from rates;
 - (f) recognise the State, organs of state and the owners of public service infrastructure as property owners;
 - (g) encourage the development of property;
 - (h) ensure that all persons liable for rates are treated equitably as required by the MPRA; and

- (i) provide that any rebate is to benefit the owner in occupation of the property.

3. TITLE AND APPLICATION

- (1) This policy is known as the Rates Policy of the Rustenburg Local Municipality.
- (2) This policy revokes all previous policies, decisions and/or *ad hoc* clauses within any other policy, regarding the subject matter of this policy.

4. COMMENCEMENT AND VALIDITY

This policy shall come into force and effect on the first implementation of the general valuation roll to be prepared by the Municipality in terms of the provisions of section 30, read with section 31 of the MPRA. This policy shall form part of the Municipality's budget related policies when such budget is tabled in the Council of the Municipality in terms of the provisions of section 16(2) of the MFMA for approval, to allow for the Council of the Municipality to consider and approve this policy in terms of the provisions of section 24(1) of the MFMA. Once this policy is approved by the Council, the general valuation rolls to be compiled by the Municipality will be compiled taking account of the principles and provisions of this policy in as far as *inter alia* the different categories of properties and special rating areas are concerned.

5. RESPONSIBLE AUTHORITY

The responsible authority for the adoption, publication and implementation of this policy is the Municipality, and where applicable the Council of the Municipality.

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

6. OPERATIONAL BACKGROUND AND PRINCIPLES

- (1) This policy has been prepared to ensure equitable treatment by the Municipality in the levying of rates on property owners, including owners under sectional title as contemplated in terms of the Sectional Titles Act, as well as any other person who may become liable for the payment of rates based on the guiding principles of equity, affordability, poverty alleviation, social and economic development, financial sustainability and cost efficiency.
- (2) This policy must be read in conjunction with the provisions of the Land Use Management Scheme and the Town Planning and Townships Ordinance 15 of 1986, and any other applicable legislation, including, but not limited to, the MFMA, the Systems Act, and any legislation which replaces any of the acts or ordinance.
- (3) The Municipality is required by the terms of section 16(1) of the MFMA, read with section 24(1) of the MFMA, to approve an annual operating budget prior to the commencement of every financial year. The income from rates must be used to finance in full or in part, the annual operating expenditure of the Municipality as reflected in such budget.
- (4) As provided in the MPRA, the Municipality has elected to differentiate between various categories of property and property owners. Some categories of property and categories of owners are granted relief from rates. The Municipality does, however, not grant relief from rates in respect of payments for rates to any

category of owners or properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.

- (5) Rates are levied in accordance with the provisions of the MPRA as a cent-in-the-rand based on the property value determined for a property as contained in the valuation roll and supplementary valuation roll.

7. ANNUAL OPERATING BUDGET

- (1) Rates and rate ratios shall be levied and established as part of the approved annual budget of the Municipality and shall remain valid and in force and effect until amended, changed or varied by the Council.
- (2) In terms of the provisions of section 28(6) of the MFMA a municipal tax may not be increased during a financial year, except when required in terms of a financial recovery plan.
- (3) The Municipality must consider the levying of rates annually during the budget process as contemplated in section 12(2) of the MPRA.
- (4) Rate increases must be used to finance the increase in operating costs of the municipal services and facilities of the Municipality.
- (5) In determining the level of increases in rates, the criteria to be applied may include the following:
 - (a) the inflation rate as indicated by the consumer price index, excluding mortgage bonds;

- (b) the financing of increased operating expenditure in the budget of the Municipality;
 - (c) the financing of additional maintenance expenditure included in the operating budget of the Municipality;
 - (d) the financing of additional depreciation charges included in the operating budget of the Municipality;
 - (e) the additional cost of servicing debt included in the operating budget of the Municipality;
 - (f) the augmentation of any revenue shortfall;
 - (g) the financing from the annual operating budget of expenditure related to anything the Municipality is lawfully empowered to do for which provision has to be made in the budget; (h) the taking into consideration of the medium-term budget growth factors as determined by National Treasury;
 - (h) the valuation roll; and
 - (i) any other relevant factor.
- (6) Also in determining the level of increases in rates and in order to assist the Municipality in dealing with the criteria as set out above, the Municipality will make reference to the following classifications:
- (a) Services:
 - (i) trading services (as referred to in the Tariff Policy);
 - (ii) non-trading services (as referred to in the Tariff Policy).
 - (b) Expenditure:
 - (i) salaries, wages and allowances;
 - (ii) bulk purchases;
 - (iii) general expenditure;

- (iv) repairs and maintenance;
 - (v) capital charges;
 - (vi) contribution to fixed assets;
 - (vii) contribution to funds;
 - (aa) bad debts;
 - (bb) working capital; and
 - (cc) statutory funds;
 - (viii) contribution to reserves;
 - (ix) gross expenditure [(i) to (viii)];
 - (x) less charge-out (inter-departmental charge-outs);
 - (xi) nett expenditure [(ix) less (x)];
 - (xii) income; and
 - (xiii) surplus/deficit [difference between (xi) and (xii)].
 - (c) Cost centres (to which the costs associated with rendering the service can be allocated):
 - (i) by department;
 - (ii) by section/service; and
 - (iii) by division/service.
- (7) Differential rates may be levied in terms of the provisions of section 8 of the MPRA according to the permitted use or, where applicable, the actual use of the property concerned.
- (8) In addition to the criteria specified above, the following criteria may be considered in determining whether a differential rate should be applied:

- (a) the need to promote economic development;
 - (b) any administrative advantages in applying a differential rate; and
 - (c) the need to alleviate the rates burden on the owners of any category of property specified in this policy.
- (9) Rates are levied in accordance with the MPRA as an amount in the Rand based on the market value of all rateable property as reflected in the valuation roll and any supplementary valuation roll, as contemplated in terms of Chapters 6 and 8 of the MPRA, respectively.

8. CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES

- (1) The Municipality may levy different rates for different categories of rateable property, provided that the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- (2) All rateable property will be classified within a specific category and will be rated upon the said classification, which will be in accordance with the permitted use thereof, unless otherwise stated in this policy.
- (3) For purposes of levying different rates based on the permitted use of properties in terms of the provisions of section 8(1)(b) of the MPRA, read with sections 3(3)(b) and 3(3)(c) of the MPRA, the following categories of property are determined, as well as the main criteria to be used in order to determine the category of the property:

- (a) "Residential property" Means property which is:
- (i) used predominantly (60% or more) for residential purposes, with not more than 2 (two) dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or
 - (ii) a unit registered in terms of the Sectional Titles Act, used predominantly (60% or more) for residential purposes, and includes any unit in the same sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or
 - (iii) owned by a share-block company and used predominantly (60% or more) for residential purposes; or
 - (iv) a retirement scheme or life right scheme used predominantly (60% or more) for residential purposes.

- (b) Business and commercial property:

Refers to property on which the activity of buying, selling or trading in goods and/or services occurs. It includes any office or other accommodation on the same property, the use of which is incidental to the business, but excludes

the business of mining. It further includes hostels, guesthouses, bed and breakfast establishments and properties which is being used for storage or parking in line with the zoning of such property. It also includes office blocks, retail shops, shopping centres, showrooms, petrol filling stations & private hospitals and clinics.

(c) Industrial Property

“Industrial property” means property used for the trading in, the manufacturing and production of good and products or the assembly or processing of finished products from raw materials or fabricated parts in respect of which capital and labour are utilised, and includes any office or other facility on the same property, the use of which is incidental to such activity;

(d) Mining property:

Refers to property used for mining purposes or purposes incidental to mining operations and including any building, other immovable structures and infrastructure above the surface required for purposes of mining and may also include a sub-category for vacant land zoned for mining purposes or purposes incidental to mining operations in terms of the Land Use Management Scheme, but excludes mining rights or a mining permit as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002.

(e) Public service infrastructure property and private service infrastructure property:

Refers to property utilised to accommodate publicly or privately controlled infrastructure of the following kinds:

- (i) national, provincial, municipal public roads or private roads;
- (ii) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water or sewage pumps

forming part of a water, waste water or sewer network serving the public;

- (iii) power stations, power sub-stations or power lines forming part of an electricity network;
- (iv) railway lines forming part of a national railway network;
- (v) communication towers, masts, exchanges or lines forming part of a communication network;
- (vi) runways or aprons at the municipal airport of the Municipality;
- (vii) any other publicly controlled infrastructure as may be prescribed;
- (viii) rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (3)(e)(i) to (3)(e)(viii) above;

but with the exemption that the public service infrastructure property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of “public service infrastructure”, as contained in section 1 of the MPRA, may not be rated in terms of section 17(1) (aA) to the extent set out in the sliding-scale contained in section 93A (2) of the MPRA.

(f) Municipal properties:

Refers to property owned by, vested in or under the control and management of the Municipality and will consist of the following 2 (two) :

(i) Municipal property: not rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are not rateable:

- (aa) public service infrastructure owned by the Municipality, including those referred to in sub-paragraph(3)(e) above;
- (bb) waste-dump sites;

- (cc) municipal burial grounds and adjacent public open space within the burial ground precinct;
- (dd) property used for the provision of public parks and zoned as public open space and includes undeveloped municipal property which is for the purposes of this policy deemed to be public open space;
- (ee) property used for culture, sporting and recreational facilities other than property subject to a registered lease in terms of the Formalities in respect of Leases of Land Act, Act 18 of 1969, in which case the area subject to the lease shall be separately rated; and
- (ff) municipal housing schemes.

(ii) Municipal property: rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are rateable:

- (aa) property leased to third parties in terms of a lease registered in terms of the Formalities in Respect of Leases of Land Act, Act 18 of 1969. Where property owned by the Municipality is leased to a third party, the rating thereof shall be the prevailing rating applied to the principle property; and
- (bb) municipal property used for purposes other than those specified in sub-paragraph(f)(i) above.

(g) Agricultural/farming property:

Property in this category is limited to agricultural/farming property zoned as agricultural/farming and used for bona fide agricultural purposes with

the property owner deriving his principal source of income from the produce of the land on such property, but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game. Agricultural/farming property not used for bona fide agricultural/farming purposes shall be rated according to the actual use thereof which include agricultural/farming property utilised commercially for the hospitality of guests, and/or eco-tourism or for the trading in or hunting of game.

(h) State-owned or organ of state-owned property (also referred to as "Government Property"):

- (i) property owned by the state or an organ of state is rateable and will be categorised according to the zoning or use of the property; and
- (ii) if property owned by the state or an organ of state is zoned or used for residential purposes, the rates must, after presentation of a certificate of occupancy, be levied in terms of the residential tariff. The rebate afforded to state owned properties of organ of state owned properties does not apply to properties zoned or used for residential purposes as the rebate relating to residential properties already applies to such properties.

(i) Protected areas:

Refers to property which receives protection because of its recognised natural, ecological and/or cultural values.

(j) Multiple Purposes:

This category comprises of properties used for more than one purpose and that cannot be assigned to an existing category of property.

(k) Educational:

Refers to property owned by educational institutions which are registered with the South African Revenue Services in terms of the provisions of section 30 of the Income Tax Act and which provide education and development services as contemplated in terms of Part 1, section 4 of the Ninth Schedule to that Act and includes sub “private school” and “crèche”.

(l) Public benefit organisation property:

Refers to property owned by a public benefit organisation and used for public benefit activities as listed in item 1(welfare and humanitarian), item 2 (health care), item 4(education and development) of Part 1 of the Ninth Schedule to the Income Tax Act.

(m) Property used for religious purposes:

Refers to property registered in the name of and used solely as a place of public worship by a religious community, including an official residence registered in the name of such community which is occupied by an office-bearer of such community who officiates at services at that place of public worship.

(n) Exclusive Use Area

Refers to an area within the Sectional Title Scheme where part of the Body Corporate is exclusively used by owners of sections.

(o) Sectional Title Garages

Refers to any garage within a residential sectional title scheme that has been registered as a separate sectional title unit.

(p) Vacant Land

Refers to any undeveloped land as listed in the valuation roll and includes bulk land identified by the municipality and where there is an approved Surveyor General, Township Layout or approved general diagram, may be separately valued and rated notwithstanding the non-registration of any sub-divisions.

(q) Private Road

Refers to a road owned and maintained by a private individual, organisation or company rather than the government.

(r) Private Open Space

Refers to an outdoor area of a dwelling or residential building or land for the exclusive use of the occupants.

(s) **Privately owned towns serviced by the owner**

The municipality grants an additional rebate to be determined on an annual basis which applies to privately owned towns services by the owner

(4) In determining the category of a property referred to in sub-paragraph (3) above, the Municipality will take into consideration the following criteria, or a combination thereof:

- (a) the actual dominant use of the property concerned;
- (b) conditions for township establishment and land use rights pertaining to the property;
- (c) the geographical area in which the property is situated;
- (d) the nature and extent of the improvements on the property.

(5) In order to ensure certainty and consistency in the application of the criteria mentioned in sub-paragraph (4) above, the Municipality will endeavour to apply the above criteria uniformly and in order of priority as follows:

- (a) properties must firstly be categorised in accordance with its permitted land use in terms of the Land Use Management Scheme;
 - (b) in addition to the land use of a property, the actual dominant use of a property may also be used to categorise, or to narrow or confirm the category of such property. An inspection of the property concerned may be undertaken in order to obtain such information;
 - (c) where the dominant and permitted use of a property differ, the actual dominant use will supersede the permitted use; and
 - (d) the geographical area where a property is situated, as well as the nature and extent of any improvements made to such property, may also be considered to categorise the property.
- (6) Property used for multiple purposes must be categorised and rated in accordance with the provisions of section 9 of the MPRA.
- (7) Property which is used in conflict to its zoning will be rated at the tariff applicable to properties used for business and commercial purposes.

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

9. DIFFERENTIAL RATING

- (1) The Municipality will apply a differential rating system based on the different property categories set out in paragraph 8 above, by means of a set rate to be applied to each category of property, provided that the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property,

public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.

- (2) The criteria for the implementation of the differential rating system on different categories of properties will be according to:
- (a) the nature and use of the property;
 - (b) the sensitivity to rating of the category of property;
 - (c) the extent of municipal services and infrastructure available to the property;
 - (d) the nature and extent of reductions and rebates applicable to the owners of the category of property;
 - (e) the promotion of social and economic development; and
 - (f) whether the property is being used for the use permitted for the property by the provisions of the Land Use Management Scheme of the Municipality.

10. CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES

The municipality will not levy a rate on the first part of the value up R 100 000,00 of the market value as per the Valuation Roll:

- on the first R 15000 on the basis set out in section 17 (1)(h) of the MPRA; and
- on the balance of the market value up to R 85 000 in terms of section 15 of the MPRA in respect of residential properties, provided that the Council from time to time during its annual budget process contemplated in section 12 (2) of the Act determine, as threshold, the amount to be deducted from the market value of the residential properties as a result of which rates will only be determined on the

balance of the market value of such properties after deduction of the threshold amount.

For purposes of exemptions, reductions and rebates from the payment of a rate levied on the different categories of property as contemplated in terms of the provisions of section 15(1) of the MPRA, the following categories of property owners and the criteria to be applied for the granting of exemptions, reductions and rebates to these categories of property owners are determined:

(1) Exemptions:

The following properties are either exempted from paying rates, or the owners thereof may apply to the Municipality to be exempted from the paying of rates as indicated below:

(a) An owner of residential property:

- (i) low cost residential properties used for residential purposes are only fully exempted if the owner of such a property is a Registered Indigent in terms of the Municipality's Indigent Policy receiving indigent support. This is an important part of the Indigent Policy of the Municipality which is aimed primarily at alleviating poverty;
- (ii) all residential properties with a market value of less than the amount annually determined by the Municipality in the Tariff Policy are exempted from paying rates. The impermissible rates contemplated in terms of section 17(1)(h) of the MPRA are included in the amount referred to above as annually determined by the Municipality;

(b) Property owned by the Municipality:

The Municipality is exempted from paying rates in respect of the property referred to in sub-paragraph 8(3)(f)(i) above.

(c) Property owned by Public Benefit Organisations:

The following Public Benefit Organisations **may apply** in writing to the Municipality (as per “**Schedule F**”) for an exemption from paying rates on property, provided a true and certified copy of a tax exemption certificate which has been issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act is submitted together with such application:

(i) State or Organ of State Owned Health Care Institutions:

State owned, or Organ of State owned property used solely for health care institution purposes, provided that all profits from the use of such property are used entirely for the benefit of such health care institution.

(ii) Welfare Institutions:

Property used exclusively as an orphanage, non-profit retirement village, old age home or benevolent institution, including workshops used by the residents, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the Municipality.

(iii) Educational Institutions:

Property owned by a non-profit educational institution, registered as such in terms of the applicable legislation.

(iv) Charitable Institutions:

Property owned by a non-profit institution or organisation, which performs charitable work.

(v) Sporting Bodies:

Property owned by an organisation which main purpose is to use such property for sporting purposes on a non-professional and non-profitable basis.

(vi) Cultural Institutions:

Property owned by an institution declared to be subject to the provisions of the Cultural Institutions Act, Act 119 of 1998.

(vii) Museums, Libraries, Art Galleries and Botanical Gardens:

Museums, Libraries, Art Galleries and/or Botanical Gardens, operated on a non-profit basis and open to the public.

(viii) Youth Development Organisations:

Property owned and used by an institution or organisation for the provision of youth leadership or a youth development programme on a non-profit basis.

(ix) Animal Welfare:

Property owned and used by an institution or organisation with the exclusive aim to protect birds, reptiles and/or animals on a non-profit basis.

(d) Property used for Religious purposes:

A Property used for Religious purposes as referred to in sub-paragraph 8(3)(n) above, is exempted from the payment of rates as per the provisions of section 17(1)(i) of the MPRA.

(e) Registered Indigents:

All Registered Indigents, registered in terms of the provisions of the Indigent Policy of the Municipality, shall be fully subsidised for the payment of property rates, as referred to in sub-paragraph (1)(a)(i) above as part of the indigent support such a person receives from the Municipality. The subsidy shall not be more than the applicable rate for that year, and will be applied for the duration of that particular fiscal year.

(f) Social Housing

Refers to property registered in the name of an institution accredited in terms of the Social Housing Act 16 of 2008 which provides or intends to provide rental of co-operative housing options for households with a gross monthly household income less than the maximum housing subsidy income limit. Such property owners may qualify to be rated at the same rate as public benefit organizations in terms of the MPRA, i.e. at a ratio of 1:0.25. Properties where the gross monthly household income exceeds the income limit or any other non-residential properties of such institution will not qualify in terms of this paragraph.

If the usage of a property changes during the financial year, the rebate applicable will be reduced pro rata for the balance of the financial year.

All accounts of the applicant must be up to date or arrangements must be made to pay any outstanding balances before any rebate will be granted.

(2) An exemption from the payment of rates will only qualify to be considered for exemption by the Municipality subject to the following conditions:

- (a) on application, which application must be addressed in writing to the Municipality in the prescribed manner (as per **Schedule “F”**);
- (b) a true and certified copy of a tax exemption certificate issued by the South African Revenue Service must be submitted together with the application;
- (c) the Municipal Manager or the person to whom the authority to approve an application for an exemption has been delegated, must consider and approve or dismiss the application;
- (d) in considering the application for an exemption the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application;
- (e) the application must be submitted to the Municipality before the end of **April preceding the start of the new municipal financial year (i.e. 1 July) for which such exemption is sought**; and
- (f) the Municipality reserves the right to refuse any exemption if the details provided in the application are incomplete, incorrect or false.

(3) Reductions:

- (a) The Municipality will consider reductions from rates payable by owners of property on an *ad hoc* basis, in any of the following circumstances:
 - (i) partial or destruction of a property and/or improvements on such property; and
 - (ii) in the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property.
- (b) A reduction from rates payable by owners of property will only be granted by the Municipality subject to the following conditions:
 - (i) the owner of a property in respect of which a reduction is applied for must apply in writing to the Municipality for such reduction, and the onus will rest on such applicant to prove to the satisfaction of the Municipality that such property has been totally or partially destroyed or affected by a disaster as contemplated in sub-paragraph (3)(a)(i) and (ii) above. Such owner will further have to indicate to which extent the property can still be used and the impact on the value of the property;
 - (ii) the percentage of the reduction granted and the period for which the reduction will be granted, if any, is solely within the discretion of the Municipality;
 - (iii) the Municipal Manager or the person to whom this authority to approve an application for a reduction has been delegated, must consider and approve or dismiss the application; and
 - (iv) in considering the application for a reduction the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application.

(4) Rebates:

(a) State-owned or Organ of State-owned property:

The State or an Organ of State will receive a rebate on rates applicable to State-owned or Organ of State-owned property, as determined in **Schedule “A”**, in the event of the full payment of the rates before 30 September of the applicable financial year. This rebate does not apply to State-owned or Organ of State-owned property zoned or used for residential purposes.

(b) Agricultural/farming property:

- (i) the owners of agricultural/farming property may be granted a rebate subject to such owner providing the Municipality with the prescribed information as set out in **Schedule “C”** and in the format provided in **Schedule “C”**;
- (ii) the prescribed information provided in the format of **Schedule “C”**, must be submitted to the Municipality before the end of April, preceding the financial for which the rebate is applied for;
- (iii) rebates may be granted by utilizing the criteria as set out and referred to in paragraphs 3.1 to 3.2 of **Schedule “A”**.

(c) Public Service Infrastructure Property:

A rebate of 30% as mandated by the provisions of section 17(1)(a) of the MPRA will be granted by the Municipality for Public Service Infrastructure property as they provide essential municipal services to the local community.

(4B) Categories of owners:(a) Retired and/or Disabled Persons Rate Rebate:

Retired and/or disabled persons qualify for special rebates according to their monthly household income as referred to and set out in paragraph 3.3 of **Schedule "A"**. To qualify for this rebate a property owner must comply with the following requirements:

- (i) occupies the property as his/her normal and only residence;
- (ii) be at least 60 years of age or have been awarded a disability pension from the Department of Social Development or other approved pension funds;
- (iii) be in receipt of a total monthly household income from any and all sources (including income of spouses of owner) as set out in paragraph 3.3 of **Schedule "A"**;
- (iv) not be the owner of more than one property;
- (v) provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;
- (vi) property owners must apply to the Municipality for the rebate on the prescribed application form as set out in **Schedule "E"** and provide such documents as required therein;
- (vii) this application must be submitted to the Municipality before the end of September preceding the start of the

new financial year of the Municipality for which the rebate is applied for;

- (viii) the Municipal Manager or the person to whom the authority to approve the application for a rebate has been delegated, must consider and approve or dismiss the application;
- (ix) in considering the application for a rebate the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application;
- (x) the Municipality reserves the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false; and
- (xi) the extent of the rebate is set out in paragraph 3.3 of **Schedule "A"**.

- (5) Persons or entities, who are in terms of the provisions of this policy entitled to apply for and receive an exemption, reduction or rebate from the payment of a rate levied, must apply annually and in the prescribed manner for such an exemption, reduction or rebate, and any such exemption, reduction or rebate approved will only be valid and applicable for 1 (one) financial year, and for so long as the person or entity continue to meet all of the circumstances and conditions that entitled the exemption, reduction or rebate to be granted, where after the approved exemption, reduction or rebate will lapse. If eligible, the person or entity who or which is desirous to obtain an exemption, reduction or rebate for the next financial year, must proceed to apply for such an exemption, reduction or rebate in the prescribed manner. Exemptions, reductions and rebates shall only be valid and applicable when granted and where the applicant meets the criteria therefor.

- (6) A reduction, exemption or rebate granted to an applicant who does not qualify may be removed at any time.
- (7) Any person or entity receiving any exemption, rebate or reduction shall immediately notify the municipal manager of the Municipality, in writing, if the circumstances or conditions which entitled the Municipality to grant the exemption, rebate or reduction, change or ceases to exist.

11. COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY

- (1) The Municipal Manager must ensure that all exemptions, reductions, rebates and the phasing-in of certain rates, as contemplated in terms of the provisions of sections 15 and 21 of the MPRA, are appropriately disclosed in the annual operating budget, annual financial statements and annual report of the Municipality and that such exemptions, reductions, rebates and phasing-in of certain rates are clearly indicated on the rate account which is submitted to every respective property owner liable to pay rates to the Municipality.
- (2) The Municipal Manager must also disclose all costs in respect of such exemptions, reductions, rebates and/or phasing-in of rates, as provided in **Schedule "B"**.
- (3) The benefit in respect of and the reasons and criteria for the granting of certain exemptions, reductions, rebates and/or phasing-in of certain rates to the various property owners includes, but is not limited to:

- (a) the promotion of local economic development which includes the promotion of business investments within the municipal area of the Municipality;
- (b) job creation for the local community;
- (c) the promotion of service delivery by *inter alia* farmers;
- (d) poverty alleviation of indigent individuals;
- (e) social and moral development, including assistance to religious institutions, sporting bodies, educational institutions and/or other non-governmental organisations which promote health and/or other benefits to the local community; and
- (f) improved local economic growth.

CHAPTER 4

GENERAL PROVISIONS

12. SPECIAL RATING AREAS

- (1) The Municipality may, if and when it deems necessary, by means of a Council resolution determine special rating areas in consultation with the relevant communities as provided for in terms of the provisions of section 22 of the MPRA.
- (2) The following matters shall be attended to in consultation with the property owners within the area where the Municipality considers imposing such special rating area:
 - (a) the proposed boundaries of the special rating area;
 - (b) statistical data in respect of the area concerned and any such further information as may be required by the property owners who owns property within the proposed special rating area;
 - (c) information in respect of the proposed improvements and/or upgrades, clearly indicating the estimated costs of each respective improvement and/or upgrade;
 - (d) the proposed financing of the improvements and/or upgrades;
 - (e) the priority of improvements and/or upgrades, if applicable;
 - (f) the socio-economic factors of the relevant property owners concerned;
 - (g) the different categories of property;
 - (h) the amount of the proposed special rating;
 - (i) the details regarding the implementation of the special rating;
 - (j) the additional income which will be generated by means of the special rating; and

- (k) the precise manner in terms of which the Municipality will utilize the additional income so generated.
- (3) A committee of property owners who own property within the proposed special rating area, consisting of 6 (six) property owners must be established in order to advise and consult the Municipality regarding such proposed special rating area. This committee will be elected by the inhabitants within the proposed special rating area concerned, who must be at least 18 (eighteen) years of age. The election of the committee will commence under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no executive powers.
- (4) The consent required from the property owners who own property within the proposed special rating area, must be obtained in writing or by means of a formal voting process under the auspices of the Municipal Manager. The majority vote is regarded as 50% plus 1 (one), of the property owners concerned. Each property owner, being the receiver of the monthly account for the municipal rate, will have 1 (one) vote each.
- (5) In determining the special additional rates, the Municipality shall differentiate between different categories as referred to in paragraph 8 above.
- (6) The additional rates levied must be utilized for the purpose of improving or upgrading the specific area only and not for any other purpose.
- (7) The Municipality shall establish separate accounting and other record-keeping systems, compliant with GAMAP/GRAP, for the identified area and the property

4owners concerned shall be kept informed of progress with projects and financial implications on an annual basis.

- (8) Council may approve a rebate, reduction or exception in a determined amount and for a determinable period to a specific property owner to set off or reduce any amounts payable by the Municipality to the property owner whether under a services agreement or otherwise.

13. RATE INCREASES

- (1) In terms of the provisions of section 17(3)(a)(ii) of the MFMA and section 24(2)(c)(i) of the MFMA, read with section 28(6) of the MFMA, the Municipality may only consider the increase of rates annually during the drafting and adoption of its annual budget.
- (2) Income derived from the increasing of rates must be used by the Municipality to finance any increase in operating costs of subsidized municipal services and/or any increase in the rendering of municipal services to the local community.
- (3) The following annual adjustments may be considered and/or made in respect of subsidized municipal services and/or the rendering of municipal services to the local community:
- (a) salary and/or wage increases as agreed with the South African Local Government Bargaining Council;
 - (b) salary increases of managers directly accountable to the Municipal Managers in terms of the provisions of section 56 of the Systems Act;
 - (c) inflation adjustments in respect of general expenditure, repairs, maintenance and/or contributions to statutory funds, and

- (d) additional depreciation costs, interest on and/or reduction of loans associated with the assets obtained by the Municipality during the previous financial year.
- (4) Extraordinary expenditure in respect of community municipal services which was not expected or budgeted for, may be financed by an increase of property rates.
- (5) The Municipality must take into consideration the ability of ratepayers to afford any proposed increase of rates prior to implementing any increase of property rates.
- (6) Any and all increases of property rates must be communicated to the local community in terms of paragraph 14 of this policy and the applicable provisions of the MFMA.

14. NOTIFICATION OF RATES

- (1) In terms of the provisions of section 16(2) of the MFMA, read with the provisions of section 22 of the MFMA, the public must be informed of the rates on property which the Municipality intends to levy in the next financial year as contained in the Municipality's annual budget. The public then may submit representations regarding the contents of the said annual budget in terms of the provisions of section 22(a) (ii) of the MFMA.
- (2) Once the Council has, considered, in terms of the provisions of section 24(1) of the MFMA, amongst others, the representations by the public, the Council may proceed to approve the annual budget, and once it has done so the Municipality shall have levied the rate as contained in the annual budget as contemplated in terms of the provisions of section 24(2)(c)(i) of the MFMA.

- (3) The Municipality must give notice to the local community of the rates levied on property in accordance with the provisions of section 14 of the MPRA, which in turn requires that the resolution levying the rates on property be promulgated by publishing the resolution levying the rates in the Provincial Gazette and within 60 (sixty) days after the passing of the resolution levying the rates:
- (a) in terms of the provisions of section 14(3)(a) and (b) of the MPRA, whenever a Municipality passes a resolution as referred to in subparagraph (3) above, the Municipal Manger must, within 60 (sixty) days after the passing of the resolution levying the rates:
 - (i) Conspicuously display the resolution for a period of at least 30 (thirty) days:
 - (aa) at the Municipality's head and satellite offices and libraries; and
 - (bb) if the Municipality has an official website or a website available to it as envisaged in section 21B of the Systems Act, on that website; and
 - (ii) advertise in the media a notice stating that:
 - (aa) a resolution levying a rate on property has been passed by the Council; and
 - (bb) the resolution is available at the Municipality's head and satellite offices and libraries for public inspection during office hours and, if the Municipality has an official website or a website available to it, that the resolution is also available on that website.
- (4) The resolution levying the rates must contain the date on which the resolution was passed, differentiate between categories of properties and reflect the cent amount in the rand rate for each category of property.

15. PAYMENT OF RATES

- (1) A ratepayer has the option to pay the rates for which such ratepayer is liable to the Municipality in one annual instalment on or before the end of September of a given year, or to pay such rates monthly on or before the last day of the month.
- (2) If the owner of rateable property wishes to opt for the payment of rates annually in one instalment, such owner must notify the Municipal Manager in writing of such election and the owner will then become liable to the Municipality to pay the rates on an annual basis, and full payment of the rates to be received by no later than the last day of September.
- (3) Interest on arrear rates will be levied and payable as set out in terms of the provisions of section 75A(1)(b) of the Systems Act, read with section 97(1)(e) of the Systems Act and the applicable provisions of the Credit Control & Debt Collection Policy and by-laws of the Municipality.
- (4) If the owner of rateable property fails, neglects or refuses to pay such rates which is owing and due to the Municipality, the Municipality must recover such rates in accordance with the provisions of its Credit Control and Debt Collection Policy and by-laws of the Municipality, read with the provisions of Chapter 9 of the Systems Act.
- (5) Arrear rates may be recovered from any tenants or occupiers of a rateable property or their agent as set out in terms of the provisions of sections 28 and 29 of the MPRA.

16. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

- (1) Rates on property in respect of a sectional title scheme, shall be levied on the individual sectional title units in the scheme and not on the property as a whole.
- (2) The rate levied on a sectional title unit is payable and must be recovered from the owner of such unit and no rates in respect of any such unit may be recovered from the established body corporate of the scheme.
- (3) The provisions of sub-paragraph (2) above do not exempt a body corporate of a sectional title scheme from the payment of rates on a sectional title unit in respect of which such body corporate is the owner.
- (4) A body corporate which controls a sectional title scheme may not apportion and collect rates contemplated in terms of the MPRA from the owners of the sectional title units in such scheme.
- (5) The common area of the property in sectional title schemes, shall be proportionally divided and included into each sectional title unit and this proportioned common area shall be payable by the owners of the specific sectional title units.

17. ACCOUNTS TO BE FURNISHED

- (1) The Municipality must furnish every owner of rateable property liable for the payment of such rates with a written account therefore, which account must provide:
 - (a) the amount due for such rates;
 - (b) the date upon or before which the rates are payable;
 - (c) the manner in terms of which the rates were calculated;
 - (d) the municipal value of the property for which the account was furnished;
and
 - (e) the percentage or amount of any applicable exemptions, reductions
and/or rebates.
- (2) An owner of rateable property who/which is liable for the payment of such rates remains liable for the payment thereof, irrespective of whether such owner received an account furnished by the Municipality therefor.
- (3) An owner contemplated in sub-paragraph (2) above, must enquire and attempt to obtain such account from the Municipality for the payment thereof and is responsible for enquiring and ascertaining from the Municipality, monthly and timeously, the amount due to the Municipality should no account be received.
- (4) Where a rateable property is owned by 2 (two) or more owners, the Municipality may recover the applicable property rate therefore from anyone of the owners in order to reduce its administrative costs and in terms of the provisions of section 24(2)(a) of the MPRA.
- (5) The Municipality and the ratepayer have the rights in respect of accounts, as set out in terms of the provisions of section 102 of the Systems Act and the provisions

of the Credit Control & Debt Collection Policy and by-laws of the Municipality dealing with accounts.

18. FREQUENCY OF VALUATION

- (1) The Municipality must prepare a new valuation roll at least every 5 (five) financial years, and reserves the right to extend the validity of the valuation roll to 7 (seven) financial years in terms of the provisions of section 32(2)(b) of the MPRA.
- (2) Supplementary valuations will be done on a continuous basis to ensure that the valuation roll is properly updated, as provided for in terms of the provisions of section 78 of the MPRA.

19. COMMUNITY PARTICIPATION

This policy may only be adopted once the Municipality has followed a process of community participation, in accordance with the provisions set out in Chapter 4 of the Systems Act and section 4(2) of the MPRA, and the Municipality must further take all comments and representations received as a result of the community participation process into account when it considers the adoption of this policy.

20. REGISTER OF PROPERTY

The Municipality must compile, maintain and display a register of properties in accordance with the provisions of section 23 of the MPRA.

21. CERTIFICATE OF OCCUPANCY

- (1) Prior to a residential property being eligible for a rebate, a certificate of occupancy must have been issued in respect thereof, by the Municipality.
- (2) The onus of obtaining a certificate of occupancy rests with the owner of a property.

22. ILLEGAL USE OF PROPERTY

- (1) If a property is used for a use, other than that permitted for the property by the applicable provisions of the Land Use Management Scheme (also referred to as the “illegal use of the property”), the Municipality will be entitled to levy on the property concerned the highest tariff provided for in the differential rate categories of the Municipality.
- (2)
 - (a) The owner of property contemplated in sub-paragraph(1) above then bears the onus of satisfying the Municipality that the illegal use of the property has ceased and may request in writing from the Municipality to proceed to reinstate the levying of rates against the property as per the valuation roll;
 - (b) such a request in writing by the owner of the property must be accompanied by an affidavit by the owner of the property, confirming that the illegal use of the property has been ceased and that the property is being used for the use allowed for the property in terms of the provisions of the Land Use Management Scheme;
 - (c) the Municipality shall consider the request and if the cessation of illegal use of the property is verified and if the request is approved, the

Municipality will reinstate the levying of rates against the property as per the valuation roll.

(d) Where the valuer visited the property with illegal use, the valuer will change the category to the actual use of the property even if the zoning certificate has not been changed.

23. INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY

- (1) Once the Municipality has given notice in terms of the provisions of section 49 of the MPRA that the valuation roll is open for public inspection, any person may within such period stated in section 49(1)(a) of the MPRA, in terms of the provisions of section 50(1) of the MPRA:
 - (a) inspect the roll during office hours;
 - (b) upon payment of a reasonable fee request the Municipality during office hours to provide an extract from the roll; and
 - (c) may lodge an objection with the Municipal Manager against any matter reflected in, or omitted from the roll.
- (2) An objection as contemplated in sub-paragraph (1)(c) above, must be in relation to a specific individual property and not against the valuation roll as a whole.
- (3) The lodging of an objection does not defer liability for the payment of rates beyond the date determined therefore.
- (4) All objections received shall be dealt with in the manner prescribed in terms of the provisions of section 51 to section 54 of the MPRA.

24. UNREGISTERED PROPERTIES

Where the municipality can prove that the unregistered property is consuming municipal services, that property will be billed according to the use of that property even though it is not registered.

253. RATES CLEARANCE

1. Section 118 of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) states that: A registrar of deeds may not register the transfer except on production of a prescribed certificate, issued by a municipality or municipalities in which that property is situated and which certifies that all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes levies and duties during the two years preceding the date of the application for the certificate have been fully paid

A prescribed certificate issued by a municipality in terms of sub section 1 is valid for a period of 60 days from the date it has been issued".~~for the~~

—Definition of a Rates Clearance Certificate

A rates clearance is a certificate provided by the relevant local authority on application by a conveyancer to transfer a property. This certificate certifies that there is no current outstanding debt due by the seller on the property. The Registrar of Deeds may then pass transfer on the property and registration in the purchaser's name may go ahead.

3. Process of obtaining rates clearance certificate

The conveyancer or attorney needs to apply for clearance figures at the municipality and pay a prescribed fee.

The rates clearance figures will be issued by the municipality and will be valid for four (4) months.

The payment relating to the rates clearance figures needs to be effected on or before the end of the second month. No payments will be allowed after the end of the second month. The conveyancing attorney will need to re – apply for clearance figures if the payment was not received on or before the end of the second month.

This process will give deeds office 60 days to do transfer as required by the legislation.

26. REQUEST FOR REASONS FEE-----

In a case where the property owner requires the reasons for arriving at a valuation amount after the appeal process of their valuation, they can request those reasons from the municipality with the payment of a prescribed fee as per the tariff schedule.

274. BY-LAWS TO GIVE EFFECT TO RATES POLICY

The Municipality must adopt by-laws to give effect to the implementation of this policy.

285. POLICY REVIEW

This policy must be reviewed annually by the Council of the Municipality as prescribed in terms of the provisions of section 5 of the MPRA.

SCHEDULE "A" – REBATE ON RATES

NO.	CATEGORY / DESCRIPTION	APPLICABLE REBATE
1.	<u>Exemptions:</u>	
1.1	Residential	R 100000.00 (The first R15 000.00 of the market value of a property assigned in the valuation roll or supplementary valuation roll is statutorily exempted from the levying of rates as per the provisions of section 17(1)(h) of the MPRA)
2.	<u>Reductions:</u>	
2.1	Partial or destruction of a property and/or improvements on such property	25%
2.2	in the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property	50%
3.	<u>Rebates:</u>	
	State owned or Organ of State owned properties (excluding properties zoned or used for residential purposes)	10%
	Residential Properties	___%
	Public schools	___%

	Private schools	25%
	Public Service Infrastructure	30% (but not less than 30% in terms of the provisions of section 17(1)(a) of the MPRA)
3.1	Agricultural/Farming Land:	
3.1.1	<u>The extent of the municipal services provided to agricultural/farming property:</u>	
	No municipal roads next to property	__%
	No municipal sewerage to the property	__%
	No municipal electricity to the property	__%
	No water supply to the property by the Municipality	__%
	No refuse removal provided by the Municipality	__%
3.1.2	<u>The contribution of the farming/agriculture property to the local economy:</u> A rebate may be granted to the owner of agricultural/farming property which contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by Government or if they are in line with the sector's average. In this regard the criteria are as follows and should be substantiated by the information provided in Schedule "C" :	
	Salaries/wages of farm workers meet minimum standards.	__%
3.1.3.	<u>Rebates may be granted after submission of proof by the owner, as per Schedule "C", to the extent to which agriculture assists in meeting service delivery and development obligations of the Municipality and contribution to the social and economic welfare of farm workers:</u>	
	If the owner is providing permanent residential property to the farm workers and such property is registered in the name of such farm workers.	__%
	If such residential properties are provided with potable water.	__%

	If the owner has provided electricity to the residential properties of his farm workers.	___%
	If the owner is availing his land/buildings to be used for the purposes of a cemetery, education and/or recreational purposes of the farm workers and their dependants and the nearby community in general.	___%
3.2.	Farming, Business, Commercial and Industrial:	
3.2.1.	<u>Contribution to job creation:</u>	
	1 to 10 workers:	___%
	11 to 50 workers	___%
	51 workers or more	___%
3.2.2.	<u>Social upliftment of the local community:</u> (specify criteria and extent in order to calculate percentage of rebate)	
		___ %
3.2.3.	<u>Establishment of infrastructure for the benefit of the local community:</u> (specify criteria and extent in order to calculate percentage of rebate)	
		___%
3.3.	Retired and/or disabled persons on residential property only:	
	Owner with a gross monthly income from R 0 – R4 500.00	40%
	Owner with a gross monthly income from R4 501.00 – R5 500.00	30%
	Owner with a gross monthly income from R5 501 – R6 000.00	20%



SCHEDULE "B"

THE COSTS ASSOCIATED WITH EXEMPTIONS, REDUCTIONS,
REBATES, EXCLUSIONS AND PHASING IN OF RATES

FINANCIAL YEAR

NO.	COST ITEM	AMOUNT
1.	<u>Exemptions:</u>	
1.1	Residential Property	R
1.2	Property owned by the Municipality	R
1.3	Property owned by Public Benefit Organisations:	R
1.3.1	State or Organ of State Healthcare Institutions	R
1.3.2	Welfare Institutions	R
1.3.3	Educational Institutions	R
1.3.4	Charitable Institutions	R
1.3.5	Sporting Bodies	R
1.3.6	Cultural Institutions	R
1.3.7	Museums, Libraries, Art Galleries and Botanical Gardens	R
1.3.8	Youth Development Organisations	R
1.3.9	Animal Welfare	R
1.3.10	Property used for Religious Purposes	R
1.3.11	Registered Indigents	R
2.	<u>Reductions:</u>	
2.1	Partial or Total Destruction of a property	R
2.2	Properties affected by Disaster	R
3.	<u>Rebates:</u>	
3.1	Categories of Property:	R
3.1.1	Business, Commercial and Industrial property	R

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3.1.2	State-owned or Organ of State-owned property (excl) residential properties)	R
3.1.3	Agricultural/farming property	R
3.1.4	Public Service Infrastructure property	R
3.2	Categories of Owners of Property:	R
3.2.1	Retired and/or Disabled persons	R
	TOTAL COST:	R



SCHEDULE "C"

APPLICATION TO BE RATED AS AGRICULTURAL/FARMING PROPERTY

USED FOR AGRICULTURAL/FARMING PURPOSES

FINANCIAL YEAR

Complete the following in full and return by hand to the offices of the Municipality, at the Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, or by post to P.O. Box __, Rustenburg, _____. Only applications with the original commissioner's oath stamp and duly commissioned will be accepted i.e. no copies or faxed application will be considered. Please note that the onus lies with the applicant to confirm that the Municipality has received his/her application.

Farm / Erf No.:		Portion No.:	
Farm Name:			

If you have previously been granted a bona fide farmers rebate and an inspection was carried out on your property, kindly provide the certificate number which was issued to you.																					
Municipal Account Number:																					
Registered Owner of Property:																					
(full names)																					
Physical Address of Owner:																					
Postal Address of Owner:																					
Telephone No.:					Home:					Work:											
					Cell:					Fax:											
E-mail Address:																					

Is any portion of the property used for any purpose other than agriculture? (e.g. business, mining, eco-tourism, trading in or hunting game)

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Mark with a 'X'

YES	NO

IF YES, DESCRIBE: _____

LAND USE ANALYSIS

Number of boreholes	
Output – Litres / Hour	
Dams capacity	

Is the property exposed to a river?			
Yes		No	

Type of Farming (mark with a 'X')	Cash Crop	Citrus	Soft Fruit	Poultry	Livestock	Pasture	Grazing	Dairy
Other (please specify)								

LAND INFORMATION	EXTENT	LIVE STOCK INFORMATION	NUMBER OF LIVESTOCK
Arable – Dry		Cattle	
Arable – Irrigation		Sheep	
Pasture – Dry		Poultry	
Pasture – Irrigation		Goats	
Grazing – Veld		Pigs	
Cash Crop		Other (specify)	
Home site and farmyard			
Other (specify)			

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Building No.	Description	Size M ²	Condition	Is the building functional

I the undersigned, _____ (first name and surname printed) in my capacity as _____ do hereby declare under oath that:

- (1) the contents of this application and affidavit are within my personal knowledge, save where the contrary appears from the context hereof or is expressly stated otherwise, and are both true and correct;
- (2) the above property complies with all the above mentioned conditions for an agricultural/farming property in terms of the Municipal Property Rates Act, Act 6 of 2004 and the Municipality's Rates Policy;
- (3) I authorise that the Municipality may inspect the property at any reasonable time during the financial year to confirm the compliance with the conditions of the rebate. Where access is denied, the rebate may be withheld, or withdrawn, if already effective;
- (4) I confirm that I have completed this application in full and am aware of the fact that if I have not, that my application cannot be processed until such time that I have done so;
- (5) I undertake to notify the Municipality immediately should any change occur in the use of the property of the conditions conferring a rates rebate in terms of the Municipal Property Rates Act, Act 6 of 2004, the Municipal Systems Act, Act 32 of 2000 and the Rates Policy of the Municipality; and
- (6) I further acknowledge that should it transpire that any information was knowingly/unlawfully/incorrectly recorded/supplied by me herein or otherwise, the Municipality has the right to withdraw any rebate granted and recover such rebate. The Municipality will raise interest on such accounts where such rebates were fraudulently obtained, and reserve the right to take further action against any person(s) who applied false information.

I further confirm under oath that:

(DELETE WHERE NOT APPLICABLE)

- (1) I/The owner of the above referred to property **conducts / do not conduct** *bona fide* farming activities on the property and I/the owner derive more than 50% of my/his/her/its income from the *bona fide* farming activities conducted on the property;
- (2) I/The owner **avails / does not avail** land/buildings for cemetery, residential, educational and recreational purposes for the farm workers and their dependants and the nearby community in general, of which the details are as follows:
- _____
- _____
- _____;
- (3) The residential units on the above property **are / are not** provided with potable water;
- (4) The residential units on the above property **are / are not** utilised for residential purposes by the farm workers employed on the above property;
- (5) The residential units on the above property **have / have not** been provided with electricity;
- (6) The residential units on the above property **are / are not** permanent residential property and **have / have not** been registered in the name of the farm workers employed on the above property;
- (7) The salaries/wages of farm workers employed on the above property **meet / do not meet** the prescribed minimum standards in terms of the applicable labour legislation;
- (8) I/The owner **contributes / do not contribute** to the social upliftment of the local community, of which the details are as follows:
- _____
- _____
- _____;

- (9) I/The owner **established / did not establish** infrastructure on the above property for the benefit of the local community, of which the details are as follows:

- (10) I/The owner is registered as a bona fide farmer with SARS, and the last tax assessment is attached hereto as proof;

**SIGNATURE OF AUTHORISED
PERSON ON BEHALF OF APPLICANT**

DATE

Signed and sworn before me at _____ on this the ____ day of _____
20____, the deponent having acknowledged that he/she knows and understands the contents of this declaration and that he/she has no objection to the taking of the prescribed oath and that he/she considers it binding on his/her conscience. I certify that the provisions of Regulation R.1258 of 21 July 1972 have been complied with.

COMMISSIONER OF OATHS FULL NAMES

SIGNATURE

COMMISSIONER OF OATH'S STAMP



SCHEDULE "D"



**APPLICATION FOR A RATE REBATE BY A PERSON OR ENTERPRISE WHO OR WHICH IS
THE OWNER OF RATEABLE PROPERTY AND WHO OR WHICH PROMOTES LOCAL,
SOCIAL AND ECONOMIC DEVELOPMENT**

FINANCIAL YEAR

Complete the following in full and return by hand to the offices of the Municipality, at Missionary Mpheni House, c/o NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE or send by post to P.O. Box __, Rustenburg, __. Only applications with the original commissioner's oath stamp and duly commissioned will be accepted i.e. no copies or faxed application will be considered. Please note that the onus lies with the applicant to confirm that the Municipality has received his/her application.

Erf:		Portion No.:		Suburb:	
Name of Enterprise:					
Registration No. of Enterprise:					
Municipal Account Number:					
Registered Owner of Property:					
(full names or organisation name)					
Usage (purpose for which the property is used):					
Physical Address of Enterprise:					
Postal Address of Enterprise:					
Telephone No.:	Home:		Work:		
	Cell:		Fax:		
E-mail Address:					

The following documentation must be attached:

DRAFT RLM RATES POLICY

~~March~~ November 2021~~2020~~¹⁸

- the business plan of the enterprise indicating how the local, social and economic development objectives of the Municipality is met;
- a continuation plan issued by the directors/members of the enterprise and certified by the auditors of the enterprise stating that the objectives have been met in the first year after establishment and in which manner the enterprise will continue to meet the objectives;
- a true and certified copy of the documents of establishment of the enterprise, e.g. Trust Deed, Memorandum of Articles of Association, constitution or any other written confirmation or document under which or officially confirming that the organisation was established;
- a resolution by the enterprise, authorising the signee to apply for this rebate on behalf of the enterprise;
- a true and certified copy of the authorised person's identity document; and
- a true and certified copy of the most recent approved and signed audited financial statements.

I the undersigned _____ **(first name and surname printed)** in my capacity as _____, and duly authorised representative of the Applicant do hereby declare under oath that:

- (1) the contents of this application/affidavit are within my personal knowledge, save where the contrary appears from the context hereof or is expressly stated otherwise, and are both true and correct;
- (2) I give permission that the Municipality may inspect the property at any reasonable time during the financial year to confirm the compliance with the conditions of the rebate. Where access is denied, the rebate may be withheld, or withdrawn, if already effective;
- (3) I confirm that I have completed this application in full and am aware of the fact that if I have not, that my application cannot be processed until such time that I have done so;
- (4) I undertake to notify the Municipality immediately should any change occur in the use of the property of the conditions conferring a rates rebate in terms of the Municipal Property Rates Act, Act 6 of 2004, the Municipal Systems Act, Act 32 of 2000 and the Rates Policy of the Municipality;
- (5) I further acknowledge that should it transpire that any information was knowingly/unlawfully/incorrectly recorded/supplied by me, the Municipality has the right to withdraw any rebate granted and recover such rebate. The Municipality will raise interest on such accounts where such rebates were fraudulently obtained, and reserve the right to take further action against any person(s) who applied false information;

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- (6) I confirm that the enterprise promotes local, social and economic development within the municipal area of the Municipality in the following manner:

- (7) I confirm that the enterprise creates jobs within the municipal area, in the following manner:

- (8) I confirm that the enterprise is involved and contributes to social upliftment of the local community, in the following manner:

- (9) I confirm that the enterprise established the following infrastructure for the benefit of the local community:

SIGNATURE OF AUTHORISED
PERSON ON BEHALF OF APPLICANT

DATE

DRAFT RLM RATES POLICY

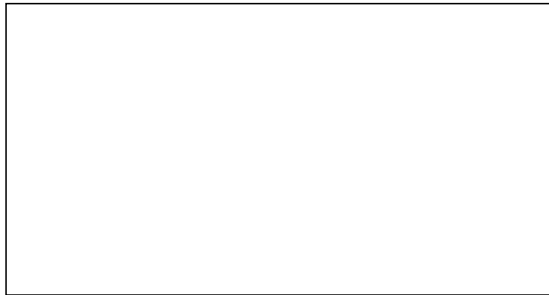
~~March~~ November 2021~~2020~~¹⁸

Signed and sworn before me at _____ on this the ____ day of _____
20____, the deponent having acknowledged that he/she knows and understands the contents of this
declaration and that he/she has no objection to the taking of the prescribed oath and that he/she considers
it binding on his/her conscience. I certify that the provisions of Regulation R.1258 of 21 July 1972 have
been complied with.

COMMISSIONER OF OATHS FULL NAMES

SIGNATURE

COMMISSIONER OF OATH'S STAMP





SCHEDULE "E"

APPLICATION FOR A PENSIONER'S AND/OR DISABLED PERSON'S
PROPERTY RATES REBATE

FINANCIAL YEAR

To qualify for a pensioners and/or disabled person's property rates rebate, a retired and/or disabled property owner must:

- (a) be a natural person;
- (b) the property must be categorised as residential;
- (c) be the owner of the property on the 1st of July of the year which is being applied for;
- (d) occupy the property as his or her normal residence or where the owner is unable to occupy the property due to no fault of his/her own, the spouse/partner or minor children may satisfy the occupancy requirement;
- (e) be a pensioner i.e. be at least 60 years of age on 1 July of the financial year concerned; or if the owner turns 60 during the year the rebate will be granted on a pro rata basis from the date on which the applicant turned 60; **or**
be a disabled person, i.e. be in receipt of disability grant/pension and submit proof of the nature of the disability e.g. letter from doctor, with the application.

(f) be in receipt of a total gross annual income from all sources, excluding medical aid contributions received, child support / grant **but including** the income of the spouse/partner of the owner and **all** persons normally residing on that property, **not exceeding R72 000.00 per annum (R6000.00 per month);**

- (g) not be in receipt of indigent support;

in addition:

- (h) an usufructuary will be regarded as the owner;
- (i) the owner will only qualify for one rebate per year, in other words the percentage rebate granted will remain in effect for the year, it will not be amended on an *ad hoc* basis should the household's financial circumstances change during the year; and
- (j) applications will only be considered if there are no outstanding balances on any of the owner's municipal accounts. If there are outstanding balances, the application will only be considered after arrangements have been made at the Municipality, to pay the outstanding amounts. Furthermore,

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the owner must ensure that he/she continues to pay the rates account in full until the rebate is granted, as no interest or monies due will be reversed.

This application must be accompanied by the following documents:

- original certified copy of bar-coded identity document; (owner and spouse/partner)
- pension statements (of owner and spouse/partner), last 3 months bank statements from **all bank, investment and retirement annuity accounts of owner and spouse/partner**, and proof of gross salary of any other persons living on the property (not just rental received). All documents provided must clearly state who it relates – documents which do not reflect person's name or ID number on will not be considered;
- a certified affidavit declaring any assistance (financially or otherwise) from any other sources including any assistance from family members. (Assistance received from family members will not however be included in the calculation of household income);
- provide a certified affidavit to explain **all** once-off monies received e.g. gifts, donations, pension payouts (e.g. on retirement), all bonuses, refunds, cash deposits, etc.; and
- in the case of usufructuary – a certified copy of the legal documents granting the usufruct such rights.

Please note: The Municipality can request any other document it deems necessary to substantiate the application.

Kindly complete the following in **FULL** and return by hand to the Rustenburg Local Municipality, at the Missionary Mpheni House, c/o NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE or send by post to P.O. Box __, Rustenburg, __. Only applications with the original commissioner's oath stamp will be accepted i.e. no copies or faxed applications will be considered.

Erf/Unit No.:		Suburb/Sectional Title Name:	
Municipal Account No.:			
Registered Owner of Property:			
(full names)			
Physical Address of Owner:			

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Postal Address of Owner:			
Telephone No.:	Home:	Work:	
	Cell:	Fax:	
E-mail Address:			

Gross Income Details	GROSS INCOME – SELF (Annual)	GROSS INCOME – SPOUSE/PARTNER (Annual)
Income from employer:		
Pension:		
Annuity:		
Interest on savings:		
Rentals:		
Financial assistance – from children etc.:		
Other: (please specify)		
TOTAL		

Occupants (Full Names)	Relationship	Age	Gross Income (Annual)

I the undersigned _____ (first name and surname printed) in my capacity as _____ of _____ (in the event of this application being completed by a person other than the applicant, by reasons of the fact that the applicant is not able to complete this application him/herself, then the person

completing this application must state his/her full details and address, as well as the capacity in which he/she is representing or assisting the applicantdo hereby declare under oath:

- (1) that the contents of this application/affidavit are within my personal knowledge, save where the contrary appears from the context hereof or is expressly stated otherwise, and are both true and correct;
- (2) I confirm that the above property complies with all the above mentioned conditions for a pensioner's and/or disabled person's rebate in terms of the Municipal Property Rates Act, Act 6 of 2004 and the Municipality's Rates Policy;
- (3) that I give permission that the Municipality may inspect the above property at any reasonable time during the financial year to confirm the compliance with the conditions of the rebate. Where access is denied, the rebate may be withheld, or withdrawn, if already effective;
- (4) I did provide all the required documentation as stipulated on page 1 and 2 of this application;
- (5) I have completed this application in full and am aware of the fact that if I have not, that my application cannot be processed until such time that I have done so;
- (6) I undertake to notify the Municipality immediately should any change occur in the use of the property of the conditions conferring a rates rebate in terms of the Municipal Systems Act, Act 32 of 2000 and the Rates Policy of the Municipality; and
- (7) I further acknowledge that should it transpire that any information was knowingly/unlawfully/incorrectly recorded/supplied by me, the Municipality has the right to withdraw any rebate granted and recover such rebate. The Municipality will raise interest on such accounts where such rebates were fraudulently obtained, and reserve the right to take further action against any person(s) who applied false information.

**SIGNATURE OF APPLICANT OR AUTHORISED
PERSON ON BEHALF OF APPLICANT**

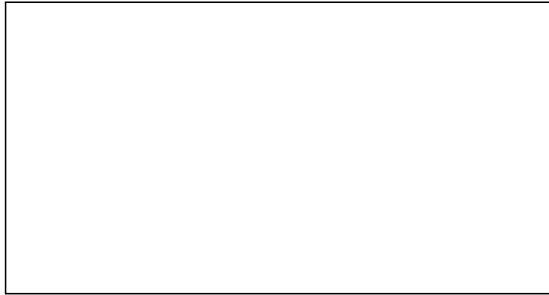
DATE

Signed and sworn before me at _____ on this the ____ day of _____
20____, the deponent having acknowledged that he/she knows and understands the contents of this declaration and that he/she has no objection to the taking of the prescribed oath and that he/she considers it binding on his/her conscience. I certify that the provisions of Regulation R.1258 of 21 July 1972 have been complied with.

COMMISSIONER OF OATHS FULL NAMES

SIGNATURE

COMMISSIONER OF OATH'S STAMP





SCHEDULE "F"

APPLICATION FOR EXEMPTION FROM PROPERTY RATES AS CONTEMPLATED IN PARAGRAPH 10 OF THE MUNICIPALITY'S RATES POLICY FOR OWNERS OF PUBLIC BENEFIT ORGANISATIONS

FINANCIAL YEAR

This application form is used for owners of residential properties and Public Benefit Organisations applying for exemptions in terms of the provisions of paragraph 10 of the Rates Policy of the Municipality.

Applications for exemptions by Public Benefit Organisations must be accompanied by a letter from the SARS confirming that the organisations qualify for exemption in terms of the Section 30 Income Tax Act, 1962, read with the Ninth Schedule to that Act.

All residential property owners and public benefit organisations seeking an exemption must submit either a letter from their auditors, or annual financial statements, or payslips, or salary advice confirming that the applicant qualifies for an exemption.

THE FOLLOWING DOCUMENTATION MUST BE ATTACHED, DEPENDING ON AND WHERE APPLICABLE TO OWNERS OF RESIDENTIAL PROPERTIES OR PUBLIC BENEFIT ORGANISATIONS:

1. A true and certified copy of the constitution, trust deed, memorandum of articles of association, or any other written instrument under which the organisation was established.
2. A true and certified copy of the tax exemption certificate issued for the organisation by the South African Revenue Service, as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, Act 58 of 1962.
3. A resolution by the organisation, authorising the signee to apply for this exemption, on behalf of the organisation.
4. A true and certified copy of the authorised person's or owner's Identity Document.
5. A true and certified copy of the most recent, approved and signed audited financial statements, salary advice, or pay slip.

The effective date of the rebate will be the date when the Municipality approves the application, irrespective of whether the property qualified for exemption in terms of its use prior to that date.

Kindly complete the following in **FULL** and return by hand to the Municipality, at the Missionary Mpheni House, c/o NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE or send by post to P.O. Box __, Rustenburg, __. Only applications with the original commissioner's oath stamp will be accepted i.e. no copies or faxed applications will be considered.

Erf:		Portion No.:		Suburb:	
Municipal Account Number:					
Registered Owner of Property:					
(full names or organisation name)					
Physical Address of Owner / Organisation:					
Postal Address of Owner / Organisation:					
Total monthly income of owner (if exemption is for owner of residential property):					
Telephone No.:	Home:		Work:		
	Cell:		Fax:		
E-mail Address:					

I confirm that I herewith, in terms of the provisions of paragraph 10 of the Rates Policy of the Municipality apply for an exemption from the payment of property rates for residential properties (as contemplated in paragraph 10(1)(a)(iii) of the Rates Policy) // for a Public Benefit Organization (delete which is not applicable).

I the undersigned _____ **(first name and surname printed)** in my capacity as owner / _____, (fill in or delete which is not applicable) and duly authorised by the Applicant to apply for this exemption on behalf of the Applicant, do hereby declare under oath

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~~March~~ November 2021~~2020~~¹⁸

- (1) that the contents of this application/affidavit are within my personal knowledge, save where the contrary appears from the context hereof or is expressly stated otherwise, and are both true and correct;
- (2) that the above property complies with all the above mentioned conditions for a Public Benefit Organisation and not-to-gain institutions exemption, in terms of the Municipal Property Rates Act, Act 6 of 2004 and the Municipality's Rates Policy, if applicable;
- (3) that I give permission that the Municipality may inspect the above property at any reasonable time during the fiscal year to confirm the compliance with the conditions of the rebate. Where access is denied, the rebate may be withheld, or withdrawn, if already effective;
- (4) I confirm that I will provide all the required documentation as stipulated on page 1 of this application;
- (5) I have completed this application in full and know if I have not, that my application cannot be processed until such time that I have done so;
- (6) I undertake to notify the Municipality immediately should any change occur in my income or the use of the property of the conditions conferring a rates rebate in terms of the Municipal Property Rates Act, Act 6 of 2004, the Municipal Systems Act, Act 32 of 2000 and the Rates Policy of the Municipality; and
- (7) I further acknowledge that should it transpire that any information was knowingly/unlawfully/incorrectly recorded/supplied by me, the Municipality has the right to withdraw any exemption granted and recover such exemption. The Municipality will raise interest on such accounts where such exemptions were fraudulently obtained, and reserve the right to take further action against any person(s) who applied false information.

**SIGNATURE OF OWNER / AUTHORISED
PERSON ON BEHALF OF APPLICANT
(DELETE WHICH IS NOT APPLICABLE)**

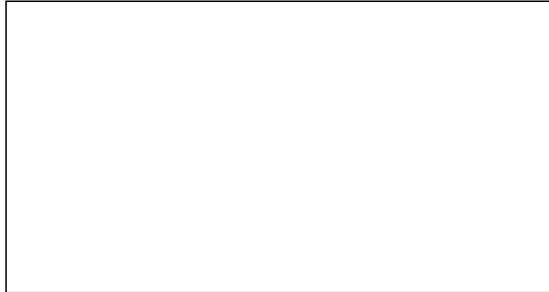
DATE

Signed and sworn before me at _____ on this the ____ day of _____
20____, the deponent having acknowledged that he/she knows and understands the contents of this declaration and that he/she has no objection to the taking of the prescribed oath and that he/she considers it binding on his/her conscience. I certify that the provisions of Regulation R.1258 of 21 July 1972 have been complied with.

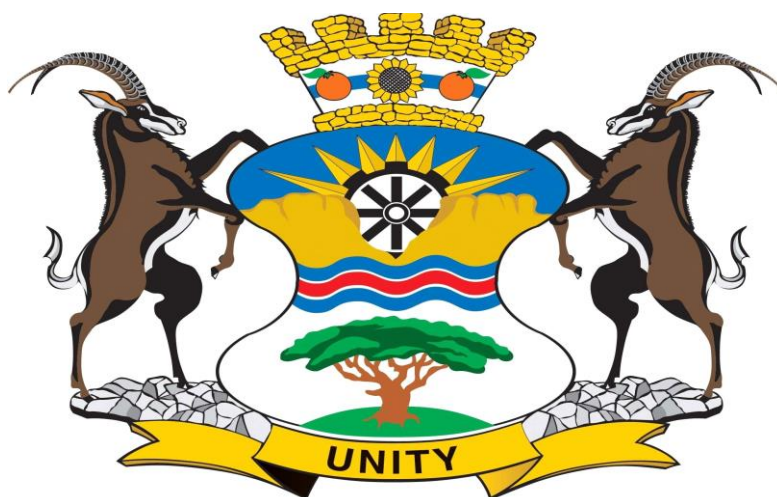
COMMISSIONER OF OATHS FULL NAMES

SIGNATURE

COMMISSIONER OF OATH'S STAMP



RUSTENBURG LOCAL MUNICIPALITY



REWARDS, GIFTS AND FAVOUR POLICY

REWARDS, GIFTS AND FAVOURS POLICY

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Part 4 Register of Rewards, Gifts and Favours	5
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REWARDS, GIFTS AND FAVOURS POLICY

PART 1 OBJECTIVE

To set out in clear terms the rules that apply to offers of a reward, gift or favours from persons having or proposing to have a contractual relationship with the municipality and the responsibilities of councillors and staff members in this regard. The Code of Conduct and Rewards, Gifts and Favours Policy is aimed at ensuring that councillors and staff members conduct themselves so that their good faith and integrity should not be open to question.

PART 2 GENERAL PRINCIPLES

Councillors and staff members will appreciate that receipt of hospitality or acceptance of gifts is, in law, no different from the receipt of monies.

To resolve any doubts about the wisdom of accepting rewards, gifts and favours whether or not such is intended (or might be thought to be intended) to influence councillors or staff member's actions, where there is an offer of hospitality or gifts from persons having of proposing to have contractual relationship with the municipality, then the proper course of action for councillors and staff members is:

- a) To consider acceptance of any such offer only where the councillor or staff member regards it as normal and reasonable. "Normal and reasonable" is defined for this purpose as no more than the municipality would be prepared to offer in equivalent circumstances. The council will provide guidance as to what may be considered appropriate and councillors and staff members should not exceed such guidance without the specific and written authority of the Executive Mayor or Municipal Manager.
- b) Councillors and staff members must ensure that any rewards, gifts and favours not of a level or amount which would lead to the public perception that the individual might be influenced. Councillors and staff members should ask themselves the question "how would acceptance of the reward, gift or favour be perceived by an objective member of the public" and check the answer by seeking an independent view from within the organization's governance and management structure.
- c) If there is doubt as to the propriety of acceptance, the councillor or staff member should decline the offer of a reward, gift or favour.

As a matter of law, it does not matter if the gift, reward or favour is given to or received by the councillor or staff member before or after a contract is awarded or other favour shown. **However, the timing of any acceptance of the reward, gift or favour is important, as demonstrating a possible connection between the acceptance and the grant of a contract. No reward, gift or favour should be accepted from a tenderer in the period between invitation to tender and acceptance by the municipality, nor, so**

far as is practicable, in the immediate period before invitations to tender are requested or the immediate period after the grant of a contract. To an extent, a period foreseeable which can be directly linked to the awarding of that particular contract.

Schedule 1 and 2 of the Municipal Systems Act No. 32 of 2000 contains the code of conduct for councillors and municipal staff members respectively.

SCHEDULE 1 SECTION 9 STATES:

1. A councillor may not request, solicit or accept any reward, gift or favour for:
 - a) Voting or not voting in a particular manner on any matter before the municipal council or before a committee of which that councillor is a member;
 - b) Persuading the council or any committee in regard to the exercise of any power, function or duty;
 - c) Making a representation to the council or any committee of the council; or
 - d) Disclosing privileged or confidential information.

SCHEDULE 2 SECTION 8 STATES:

1. A staff member of the municipality may not request, solicit or accept any reward or gift in favour for:
 - a) Persuading the council of the municipality, or any structure or functionary of the council, with regard to the exercise of any power or the performance of any duty;
 - b) Making a representation to the council, or any structure or functionary of the council;
 - c) Disclosing any privileged or confidential information; or
 - d) Doing or not doing anything within that staff member's powers or duties.
2. As staff member must without delay report to superior official or to the speaker of the council any offer which, if accepted by the staff member, would constitute a breach of (1).

The code of conduct prohibits any councillor or staff member from "soliciting" any gift benefit or reward for example by asking or hinting or making innuendo to that effect, whether directly or indirectly in the workplace or elsewhere through the agency of a colleague, friend or relative.

Within reason, the distribution of company specific items shall not be classified as gifts, favours or rewards. However, this indulgence should not be extended to tenderers, persons with whom there are legal disputes or any person in an adversarial or doubtful relationship with the municipality.

PART 3 VALUE OF REWARDS, GIFTS AND FAVOURS (Normal and Reasonable)

Councillors and staff members are required to report and register rewards, gifts and favours above a prescribed value which is determined by council from time to time.

PART 4 REGISTER OF REWARDS, GIFTS AND FAVOURS

An electronic register will be kept and maintained in the office of the Municipal Manager and Internal Audit should review the register periodically. A gift declaration Form (ANNEXURE A) shall be completed by councillors and staff members who have received a rewards, gift or favour which exceeds the approved value. Each declaration submitted will be allocated a serial number by the municipal manager for reference purposes.

PART 5 RESPONSIBILITY OF COUNCILLORS AND STAFF MEMBERS TO DECLARE REWARDS, GIFTS AND FAVOURS

It is the responsibility of councillors and staff members to declare all rewards, gifts and or favours which exceed the value determined by council.

PART 6 AUTHORITY TO ACCEPT REWARDS, GIFTS OR FAVOURS

Staff Members

The responsibility of granting authority to staff members to accept rewards, gifts or favours rests with the Municipal Manager.

Councillors

The responsibility of granting authority to councillors to accept rewards, gifts or favours rests with the Executive Mayor.

PART 7 ACCOUNTABILITY

The Municipal Manager shall provide details of all rewards, gifts and favours received by councillors and staff members and authorized by the Executive Mayor or Municipal Manager to the Audit Committee and Mayoral Committee on a quarterly basis.

PART 8 ENFORCEMENT

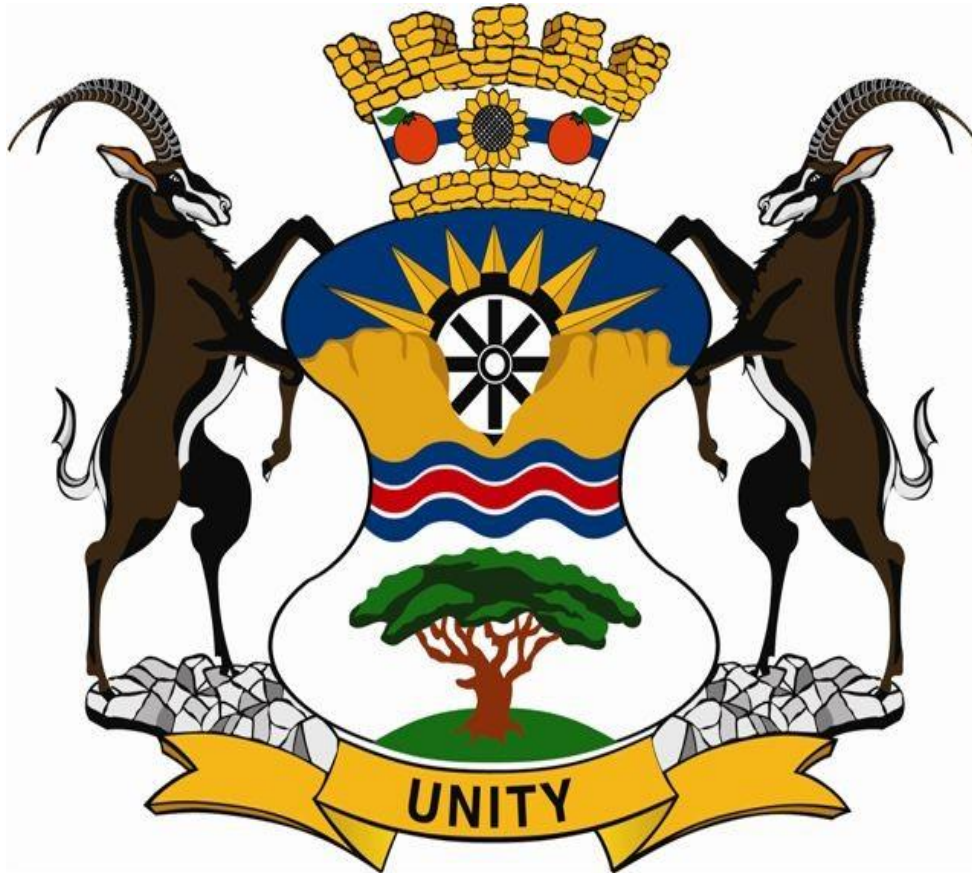
Municipal Councillors or staff members who accept rewards, gifts or favours without declaring them in breach of the code of conduct will be dealt with in terms of the disciplinary procedures of the municipality.

ANNEXURE A

RUSTENBURG MUNICIPALITY

DECLARATION OF REWARD, GIFT OR FAVOUR FOR GIFT REGISTER					
Register Number: _____			Date: ____/____/____		
Details of Sponsor (Contributor)					
Company Name					
Name of Company Representative					
Service Provided					
Relationship					
Service Period					
Details of Recipient					
Name					
Branch / Department					
Staff Number					
Details of Reward, Gift or Favour Received					
No.	Description		Approx. Monetary Value		
Have any rewards gifts or favours been received from this company before? (Mark with “X”)			Yes		No
If yes, please provide a description of this gift (s):					
Executive Mayor/Municipal Manager Approval (FOR OFFICE USE ONLY)					
The above gift is: (Mark with “X”)					
		To be returned to supplier with a letter of thanks			
		To be enjoyed by the councillor or official, above			
		To be enjoyed by the branch / department under management supervision			
Comments					
Municipal Manager / Executive Mayor: _____					
(Signature)					
Date: _____/_____/_____					

RUSTENBURG LOCAL MUNICIPALITY



STUDY AID POLICY

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1. DEFINITIONS

The following definitions and principles will apply to the Municipality's Study Aid Policy. In this policy, the definitions mean:

- 1.1 Official – is a permanently employed employee in the service of the Municipality.
- 1.2 Study Aid – is a financial support granted to officials for approved study Purposes.
- 1.3 Institution - Educational institution registered in terms of SAQA requirements.
- 1.4 Council - The Rustenburg Local Municipality and includes the Mayoral Committee of the Rustenburg Local Municipality and any official acting by virtue of any power vested in the Rustenburg Local Municipality in connection with these by-laws and delegated officially to him.
- 1.5 Examinations - A once only final testing of the proficiency or knowledge of a student for a qualification (oral or written) in a particular subject/module prescribed by the institution.
- 1.6 Group discussions - The attendance of group discussions, study schools and class attendance organized by the institution, also the testing of proficiency or knowledge of a student to qualify for an examination.
- 1.7 Post graduate studies/qualification and Matric:
 - 1.7.1 Degrees: Honors and higher
 - 1.7.2 Diploma: Higher diploma, B. Tech Degrees
 - 1.7.3 Certificate: Senior Certificate, Higher Certificate
 - 1.7.4 Qualifications evaluated by the Human Sciences Research Council And/or SAQA as a Senior Certificate + 4 or more year.
 - 1.7.5 Matric
- 1.8 SAQA Act – South African Qualification Authority Act, 1995 (No. 8 of 1995) – as amended.
- 1.9 LG SETA – Local Government Sector Education and Training Authority.
- 1.10 SDA - Skills Development Act, 1998 (N0. 97 of 1998) as amended.
- 1.11 SDL Act - Skills Development Levies Act, 1999 (No. 9 of 1999) as amended.
- 1.12 Learner – refer to a student in the form of an employee.

2. GOAL OF THE STUDY AID

To offer official's opportunities acquire qualifications to satisfy the Human Resource needs of the Council, as well as to enhance the career development needs of the officials.

3. OBJECTIVES OF THE STUDY AID

Is to encourage employees to engage in or continue their studies in order to:

- 3.1 To develop the skill and level of academic achievement of the Municipality;
- 3.2 To improve the quality of life of employees, their career prospects and
- 3.3 To improve productivity in the broader Country through the Municipality.
- 3.5 Increase the levels of investment in education and training in the Municipality and that the return of that investment be improved.
- 3.6 Encourage Management (Section 57 Managers):
 - 3.6.1 To facilitate active learning in the workplace and;
 - 3.6.2 To provide employees with opportunities to acquire new skills and knowledge;

4. CRITERIA FOR THE GRANTING OF STUDY BURSARY SCHEMES

- 4.1 Any course which is followed by an official should be applicable to the functions and activities of RLM authorities.
- 4.2 Courses may only be followed at educational institutions established, registered and approved by the South African Qualification Authority.
- 4.3 When an official is transferred to another directorate and or promoted within the same directorate with other functions and he/she decides to change his/her course, it would **not** be seen as the discontinuing of studies.
- 4.4 Before any change is effected, the qualification/course on which an official is busy with must be completed first and then she/he can be allowed to change thereafter.
- 4.5 Participation in the study aid will be limited to **one** recognized pre-graduate and post-graduate qualification per official.
- 4.6 If a learner finds it difficult to complete/continue with an approved recognized post-graduate qualification, he/she have **to pay back amount paid in full** already for

him/her in the qualification that is being discontinued before he/she can participate in another qualification.

- 4.7 Learner can change a post-graduate qualification registered with an educational institution if the qualification is discontinued by the institution and a **written proof must be provided** to that effect.

4.8 **Study aid may be granted to officials who –**

4.8.1 Have been appointed permanently in the service of the Council;

4.8.2 Qualify for admission to a particular course or remainder thereof at the educational institution;

4.8.3 Are identified to enroll for development programmes as part of career development and employment equity guidelines of Council .

4.8.4 Did not already make use of a study aid in completing a qualification.

4.8.5 Are **suspended from the services of RLM and still waiting for the finalization of the disciplinary process**

5. **FUNCTIONAL POLICY**

5.1 **Applying for a study aid:**

Officials shall apply in writing for a Study Aid on the prescribed application form.

5.2 **Approving of study aid:**

The allocation of Study Aid is delegated to the Director: Corporate Support Services.

The allocation of a study aid is valid for the total duration of the approved course that it has been granted for, subject to the availability of funds.

5.3 **Payment of study aid:**

No study aid shall be paid out for the first year of studies to an official unless the official's application for a Study Aid for a specific qualification has been approved.

A written agreement must be entered into between the official concerned and the Council wherein the provisions of these by-laws are reaffirmed, before any payments can be made.

No payments shall be made for the remaining years of studies before:

- previous examination results were submitted
- all the subjects/module have been passed.

5.4 **Composition of a study aid:**

5.4.1 Study expenses:

- The actual study expenses for registration, class, examination and/or course fees, as well as prescribed books, for the applicable year shall be paid to the employee/educational institution on submission of an official receipt/account or quotations to the **minimum amount of R15 000.00 and maximum amount of R50 000.00, as per DCS guidance and approval** and shall not include examination re-write.
- No subsistence and travelling or any other expenditure shall be paid for.

5.4.2 If the employee submits the quotation higher than the maximum amount, he/she shall be responsible for payment of the difference

5.5 **Condition/Obligations of Employee and Council:**

The Council may at any time in its sole discretion cancel the study aid if the Council is of the opinion that an official's progress is unsatisfactory or if he/she fails to comply with any other obligation in terms of this by-law or the study aid agreement.

A written agreement shall be entered into between the official and the Council in which the official commits himself/herself to serve in the Council as follows:

- 5.5.1 Work back for Council for a continuous period of one (1) year for each year paid out, commencing on the first day of the month following the successful academic year before leaving the services/employment of Council.
- 5.5.2 An employee will be required to remain in the Municipality's service for a period of **one year** for each year for which study aid was granted. This required period will come into effect annually on the date on which the last examination for that year was written. Where no examination was written but a master thesis was submitted, the employee will be required to remain in the Municipality's service for **one year** after his/her thesis has been finally accepted.
- 5.5.3 Should an employee leave the Municipality's service before the time frame mentioned in 5.5.2 for whatever reason (**resigns or voluntarily discontinues his/her service**) but excluding medical unfit, death and dismissal from

service, an employee will be liable to pay the whole amount of the study aid back to council without interest for the qualification registered for.

- 5.5.4 When an official fails a subject(s)/module(s), such learner would be required to produce proof of payment of the failed subjects/modules before any applications for further study aid could be granted for the next semester subject(s)/module(s) or registration.
- 5.5.5 When an official leaves the service of RLM without completing the qualification or failed subjects that would not be considered as a work back on failed subjects or qualification.
- 5.5.6 RLM employee qualifies for a second qualification registration when he/she has reached a ceiling on a qualification he/she was studying or when the qualification she/he has registered for is discontinued by the institution.

6. SPECIFIC REGULATIONS



6.1 Merit Study Aid:

An official receiving a merit Study Aid from an educational institution can still apply for a Study Aid.

6.2 Special Leave:

Special leave shall be granted for examinations as mentioned in the Basic Conditions of Employment.

6.3 Study leave:

- 6.3.1 Study leave of three (3) full days including the day of examination shall be granted immediately after registration; **this shall exclude public holidays and weekends.**
- 6.3.2 **Where a learner is required to write examination modules on two consecutive days only one day of examination shall be granted not a study leave**
- 6.3.3 In order to be granted such leave, the employee must:
 -  Submit written proof of his/her examination roster;
 -  Submit application for special leave at least ten (10) working days prior to the date on which the special leave will commence;

- ✚ In the case of Master/Doctorates/honors studies submit proof of his/her thesis/dissertation roster; and
- ✚ Submit written proof of examination time table organized by the institution or testing of proficiency or knowledge to qualify for an examination.

6.3.4 An employee who is a part time or distance learning student and who is studying for an approved qualification, shall be granted study leave on the dates on which he/she is required to present him/herself as a candidate for such examination.

6.4 Rewriting Examinations:

- ✚ Special leave of one (1) full working day for the purpose of re-writing the examination shall be granted;
- ✚ Costs will **not** be covered by the Municipality.

6.5 Group discussions and Class Attendance:

- 6.5.1 Group discussion/class attendance one (1) day or according to class attendance roster.
- 6.5.2 Submit written proof of attendance of group discussions, study schools and class attendance organized by the institution.
- 6.5.3 No subsistence and travelling allowance is payable when officials have to attend group discussions.
- 6.5.4 The cost of extra voluntary lessons, supplementary examination fees, re-registration, supplementary textbooks, stationer, travelling and accommodation will be for **learner's own account**

7. UPHOLDING OF POLICY

The Director: Corporate Support Services will be responsible for the upholding of this policy.

8. APPROVAL OF STUDY AID SCHEME

The allocation of study aid is delegated to the Director: Corporate Support Services.

A study aid allocation is valid for the total duration of the specific course it has been granted for.

9. REVIEW OF POLICY

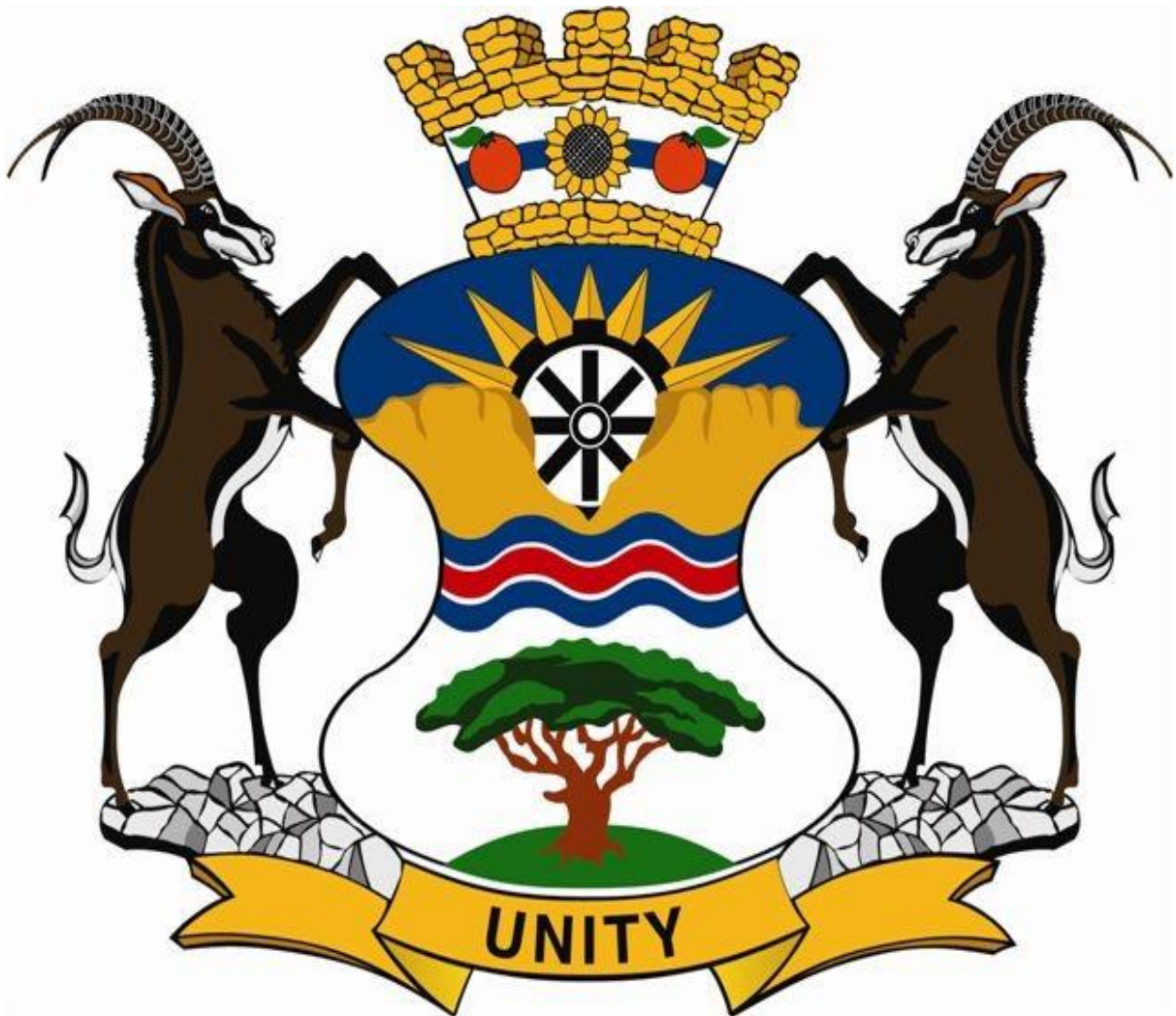
This policy will be reviewed annually or whenever necessary.

10. BREACH OF POLICY

Breach of this policy by an employee may lead to disciplinary action.

RUSTENBURG

LOCAL MUNICIPALITY



SUPPLY CHAIN MANAGEMENT

POLICY

The Municipal Manager of the Rustenburg Local Municipality (hereinafter referred to as “the Municipality”), being responsible for managing the financial administration of the Municipality hereby, in terms of the provisions of section 62(1)(f)(iv), read with section 111 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as the “MFMA”), and in order to give effect to section 217(1) of the Constitution of the Republic of South Africa, 1996 (hereinafter referred to as “the Constitution”), establishes the Supply Chain Management Policy of the Municipality (also hereinafter referred to as “the SCM Policy), as approved by its Council and which came into operation on and is to be implemented as such from the date of acceptance by the Council.

The SCM Policy of the Municipality will be one of the Municipality’s budget related policies, as referred to in the provisions of regulation 7 of the Municipal Budget & Reporting Regulations, 2008 and section 17(3)(e), section 21(1)(b)(ii)(bb), section 22(a)(i) and section 24(2)(c)(v) of the MFMA, and accordingly the Municipality will annually revise this policy and this policy, or any amendments thereto will be approved by the Council of the Municipality during the process in terms of which the Municipality adopts its budget, as described in section 24 of the MFMA.

THE RUSTENBURG LOCAL MUNICIPALITY: SUPPLY CHAIN MANAGEMENT POLICY

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CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY

1. DEFINITIONS

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words, expressions and/or abbreviations shall have the respective meanings assigned to them hereunder and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MFMA will have the corresponding meaning assigned thereto in terms of such section. Some of these words, expressions and/or abbreviations may not occur in the Policy but are included for the sake of completeness. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“Accounting Officer”	The Municipal Manager of the Municipality as referred to the definition of “Accounting Officer” as defined in terms of the provisions of section 1 of the MFMA and referred to in section 60 of the MFMA and includes a person acting as an Accounting Officer, or the person to whom the Accounting Officer has delegated his/her authority to act. Also refer to the definition of Municipal Manager below.
1.2	“adjudication points”	The points referred to in the Preferential Procurement Policy Framework Act, Act 5 of 2000: Preferential Procurement Regulations, 2017, and

		the preferential procurement section of this policy, also referred to as “evaluation points” or “preference points”.
1.3	“all applicable taxes”	Includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
1.4	“Auditor-General”	The person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person acting as Auditor-General, acting in terms of a delegation by the Auditor-General or designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General.
1.5	“authority”	A right or power attached to a rank or position permitting the holder thereof to make decisions, to execute such decisions or to have such decisions executed, take command or to demand action by others.
“B”		
1.6	“B-BBEE”	The Broad Based Black Economic Empowerment as defined in terms of the provisions of section 1 of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003.
1.7	“B-BBEE status level of contributor”	The B-BBEE status awarded to 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 the provisions of section 9(1) of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003.
1.8	“bid”	Includes a responsive tender, quotation, expression of interest, proposal, or any other proposition for

		doing business with the Municipality, whether solicited or not, or a written offer in a prescribed or stipulated form in response to an invitation by the Municipality for the provisions of goods and services.
1.9	“bidder”	Any person or entity submitting a bid.
“C”		
1.10	“capital asset”	Any immovable asset such as land, property or buildings or any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social benefit can be derived, such as plant, machinery and equipment.
1.11	“Chief Financial Officer”	A person appointed by the Council and designated by the Municipal Manager to manage the financial administration of the Municipality and who remains directly accountable to the Municipal Manager as contemplated in terms of the provisions of section 80(2)(a) read with section 1 and section 81 of the MFMA.
1.12	“close family member”	A spouse, child or parent of a person.
1.13	“closing time”	The time and date specified in bid documentation as the closing time for submission of bids after which no more bids may be submitted to or be accepted by the Municipality.
1.14	“community-based vendor”	A supplier of goods and/or services who resides in a target area or community, who/which meets the criteria for community-based vendors as

		determined by the Municipality from time to time, and who/which is registered on the list of the Municipality as an accredited prospective provider of goods and/or services.
1.15	“comparative price”	The price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration. A “non-firm price” means all prices other than a “firm price”.
1.16	“competitive bid”	A responsive bid in terms of a competitive bidding process.
1.17	“competitive bidding process”	A competitive bidding process referred to in regulation 12(1)(d) of the SCMR and this policy.
1.18	“consortium or joint venture”	An association of persons or entities formed for the purpose of combining the expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The joint venture or consortium must be formalised by agreement between the parties thereto.
1.19	“Construction Industry Development Board” or “CIDB”	The Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act.
1.20	“Construction Industry Development Board Act”	The Construction Industry Development Board Act, Act 38 of 2000.
1.21	“construction works”	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.
1.22	“consultant”	A person or entity providing labour and knowledge-based expertise which is applied with reasonable skill, care and diligence.
1.23	“contract”	A written agreement resulting from the acceptance of a bid or quotation from a bidder by the Municipality and as contemplated in the provisions of section 116 of the MFMA.
1.24	“contractor”	A person or entity whose/which bid, or quotation has been accepted by the Municipality and “service provider” has a corresponding meaning.
1.25	“Council”	The Municipal Council of the Municipality, its legal successors in title and its delegates.
“D”		
1.26	“days”	Calendar days, unless the context indicates otherwise.
1.27	“demand management”	A system which insures that the resources required to support the strategic and operational commitments of the Municipality are delivered at the correct time, at the right price, and at the right location, and that the quantity and quality satisfy the needs of the Municipality.
1.28	“designated sector”	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 goods and/or services or locally manufactured goods meet the stipulated minimum threshold for local production and content.

1.29	“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 in the range considered normal for a human being.
1.30	“Disciplinary Regulations”	Local Government: Disciplinary Regulations for Senior Managers, published under GN 344 in GG 34213 of 21 April 2011
1.31	“disposal”	A process of preparing, negotiating and concluding a written contract which involves the alienation of a capital asset of the Municipality, including a capital asset no longer needed by the Municipality or rights in respect thereof, by means of a sale or a donation, and “dispose” has a similar meaning.
1.32	“disposal management”	The system of the Municipality for the disposal or letting of assets, including unserviceable, redundant or obsolete assets in a cost-effective, but transparent and responsible manner, and entails the maintenance of records and documents.
“E”		
1.33	“engineering and construction works”	The provision of a combination of goods and services, arranged for the development and provision of an asset including construction works and engineering infrastructure, or for the refurbishment of an existing asset.
1.34	“evaluation points”	Refer to “adjudication points” and/or “preference points”.
1.35	“exempted capital asset”	A municipal capital asset which is exempted by section 14(6) of the MFMA from the other provisions of that section, read with regulation 1 of the MATR.

“F”		
1.36	“final award”	The final decision on which bid or quote to accept.
1.37	“firm price”	The price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change in position, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of a contract.
1.38	“formal written price quotation”	Quotations referred to in this policy and in regulation 12(1)(c) of SCMR and includes an electronic offer to the Municipality in response to an invitation to submit such a quotation.
1.39	“functionality”	The measurement according to predetermined norms and/or criteria, as set out in the bid documents, of a service or commodity that is designed to be practical and useful, working or operating, considering, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder.
“G”		
1.40	“general conditions of contract”	The general conditions of contract as set out in the bid documentation applicable to the said bid and not limited to the General Conditions of Contract for Construction Contracts, 2010 of the South African Institute of Civil Engineers.

1.41	“goods and/or services”	Apart from the normal grammatical meaning, also includes engineering and construction works and consultant works.
1.42	“green procurement”	Considering environmental criteria for goods and services to be purchased to ensure that the related environmental impact is minimised.
“H”		
1.43	“historically disadvantaged individual” or “HDI”	A South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution or the Constitution of the Republic of South Africa, Act 200 1993 (“the Interim Constitution”); and/or who is a female, and/or who has a disability, provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.
“I”		
1.44	“improper conduct”	Conduct which is tantamount to fraud, corruption, favouritism, unfair, irregular and unlawful practices, misrepresentation of information submitted in bid documents for the purposes of procuring a contract with the Municipality, misrepresentation regarding the contractor’s expertise and capacity to perform in terms of a contract procured via the Supply Chain Management System, breach of a contract procured via the Supply Chain Management System and failure to comply with the Supply Chain Management System.

1.45	“in the service of the state”	<p>Means to be:</p> <p>(a) a member of:</p> <ul style="list-style-type: none"> (i) any municipal council; (ii) any provincial legislature; or (iii) the National Assembly or the National Council of provinces; <p>(b) a member of the board of directors of any municipal entity;</p> <p>(c) an official of any municipality or municipal entity;</p> <p>(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution with the meaning of the Public Finance Management Act, Act 1 of 1999;</p> <p>(e) a member of the accounting authority of any national or provincial public entity; or</p> <p>(f) an employee of Parliament or a provincial legislature.</p>
1.46	“information technology” or “IT”	The acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.
1.47	“Integrated Development Plan” or “IDP”	The plan envisaged in terms of the provisions of section 25 of the MSA.

“L”		
1.48	“list of accredited prospective providers”	The list of accredited prospective providers that a Municipality must keep in terms of regulation 14 of the SCMR.
1.49	“local business”	Service providers with active offices within the municipal area of the Municipality, which shall be interpreted based on whether the offices are utilised for the goods and/or services to be procured, and whether most staff are local.
1.50	“Local Government: Municipal Finance Management Act” or “MFMA”	The Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.51	“Local Government: Municipal Systems Act” or “MSA”	The Local Government: Municipal Systems Act, Act 32 of 2000.
1.52	“Structures Act” or “MSTA”	The Local Government: Municipal Structures Act, Act 117 of 1998.
1.53	“long term contract”	A contract with a duration period exceeding 1 (one) year.
“M”		
1.54	“Municipal Asset Transfer Regulations” or “MATR”	The Asset Transfer Regulations, 2008, published under GN R878 in GG 31346 of 22 August 2008 (with effect from 1 September 2008) and promulgated in terms of the provisions of section 168 of the MFMA.
1.55	“Municipal Budget & Reporting Regulations, 2008”	The Municipal Budget & Reporting Regulations, 2008, published under GN R393 in GG 32141 of 17 April 2009 (with effect from 1 July 2009) and

		promulgated in terms of the provisions of section 168 of the MFMA
1.56	“municipal entity”	<p>Means:</p> <p>(a) a private company referred to in section 86B(1)(a) of the MSA;</p> <p>(b) a service utility; or</p> <p>(c) a multi-jurisdictional service utility;</p> <p>as contemplated in terms of the provisions of the MSA.</p>
1.57	“Municipality”	<p>Means the RUSTENBURG LOCAL MUNICIPALITY (also referred to as “RLM”) a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <p>(a) its successor in title; or</p> <p>(b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality’s duties, functions and powers; or</p>

		(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.
1.58	“Municipal Manager”	The person appointed in terms of the provisions of section 54A of the MSA, and Accounting Officer of the Municipality.
1.59	“Municipal Public-Private Partnership Regulations”	The Municipal Public-Private Partnership Regulations, published under GN R309 in GG 27431 of 1 April 2005 (with effect from 1 April 2005) and promulgated in terms of the provisions of section 168 of the MFMA.
1.60	“Municipality’s Register of Tender and Contract Defaulters”	The list compiled by the Municipality for purposes of the combating of abuse of the Supply Chain Management System in terms of which the persons reflected on the list are prohibited from being awarded any contract by the Municipality for the specified period reflected on the list.
“N”		
1.61	“non-exempted capital asset”	A municipal capital asset which is not exempted in terms of the provisions of section 14(6) of the MFMA from the other provisions of that section.
“O”		
1.62	“obsolete”	As asset of the Municipality which is no longer in use or out of date, or which has become obsolete by reason of it being replaced with something new.
1.63	“official”	In relation to the Municipality or municipal entity, means: (a) an employee of a Municipality or municipal entity;

		<p>(b) a person seconded to a Municipality or municipal entity to work as a member of the staff of the Municipality or municipal entity; or</p> <p>(c) a person contracted by a Municipality or municipal entity to work as a member of the staff of the Municipality or municipal entity otherwise than as an employee.</p>
1.64	“organ of state”	<p>Means:</p> <p>(a) any department of state or administration in the national, provincial or local sphere of government; or</p> <p>(b) any other functionary or institution:</p> <p>(i) exercising a power or performing a function in terms of the Constitution or a provincial constitution; or</p> <p>(ii) exercising a public power or performing a public function in terms of any legislation but does not include a court or a judicial officer.</p>
1.65	“other applicable legislation”	<p>Any other legislation applicable to the supply chain management of the Municipality, including but not limited to the Preferential Procurement Policy Framework Act, the Broad-Based Black Economic Empowerment Act, the Construction Industry Development Board Act and the Consumer Protection Measures Act, Act 68 of 2008.</p>
“P”		

1.66	“planned project work”	As opposed to term bids for the supply of goods and/or services that is of an ad-hoc or repetitive nature for a predetermined period.
1.67	“this policy”	This Supply Chain Management Policy of the Municipality.
1.68	“preference points”	Refer to “adjudication points” and/or “evaluation points”.
1.69	“Preferential Procurement Policy Framework Act” or “PPPFA”	The Preferential Procurement Policy Framework Act, Act 5 of 2000.
1.70	“Preferential Procurement Regulations” or “PPR”	The regulations published in terms of the provisions of section 5 of the PPPFA, specifically the Preferential Procurement Regulations, 2011 published under Government Gazette No. 34350 of 8 June 2011.
1.71	“Prevention and Combating of Corrupt Activities Act” or “PCCAA”	The Prevention and Combating of Corrupt Activities Act, Act 12 of 2004.
1.72	“prime contractor”	The person or entity with whom the Municipality contracts, as opposed to sub-contractors, suppliers, manufacturers or service providers who contract with the prime contractor.
1.73	“prime cost item(s)”	An item in a bid, the price of which cannot be fixed at the time of bidding, and which may only relate to the supply of materials and not to the carrying out of works.
1.74	“provisional sum(s)”	An amount allocated for specialised work, to be executed by a specialised service provider and for

		which the details are not available at the time of bidding.
1.75	“Promotion of Access to Information Act” or “PAIA”	The Promotion of Access to Information Act, Act 2 of 2000.
1.76	“Public-Private Partnership” or “PPP”	Refers to the definition of “public-private partnership” as defined in terms of the provisions of Regulation 1 of the Municipal Public-Private Partnership Regulations, published under GN R309 in GG 27431 of 1 April 2005 and promulgated in terms of the provisions of section 168 of the MFMA.
“Q”		
1.77	“quality”	The measure according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended and may also include the measure of the competency of a supplier.
“R”		
1.78	“rand value”	The total estimated value of a contract in South African Rands, calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties.
1.79	“Republic”	The Republic of South Africa.
1.80	“responsible agent”	Internal project managers being officials of the Municipality, or external consultants appointed by the Municipality to oversee the implementation of a project or contract.
1.81	“risk management”	The identification, measurement and economic control of risks that threaten the assets and

		income/earnings of person or entity or business or other enterprise.
“S”		
1.82	“sole-source selection”	The procuring of services or goods from one sole source because of the specialised or unique characteristics of the goods or services procured.
1.83	“SITA”	State Information Technology Agency.
1.84	“small, medium and micro enterprises” or “SMME”	Refers to “small enterprise” as defined in terms of the provisions of section 1 of the National Small Enterprise Act, Act 102 of 1996.
1.85	“sub-contract”	The agreement in terms of which or the act of a primary contractor appointing a sub-contractor.
1.86	“sub-contractor”	Any person or entity that is employed, assigned, or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
1.87	“Supply Chain Management Policy”	This Supply Chain Management Policy of the Municipality.
1.88	“Supply Chain Management Regulations” or “SCMR”	The Municipal Supply Chain Management Regulations, published under GN 868 in GG 27636 of 30 May 2005 and promulgated in terms of the provisions of section 168 of the MFMA.
1.89	“Supply Chain Management Unit” or “SCMU”	The Supply Chain Management Unit which functions under the management and control of the Municipal Manager of the Municipality, which unit is responsible for the implementation and management of this policy, as well as all other issues related to supply chain management which may be assigned to them by the Municipality.

“T”		
1.90	“tender”	Means bid in the context of procurement.
1.91	“term bid”	A rates-based bid for the ad hoc or repetitive supply of goods, services or construction works, where the individual rates are approved for use over a specified period.
1.92	“total cost of ownership” or “TCO”	The sum of direct spend, related spend, process spend, and opportunity cost associated within a specific commodity and service to the owner.
1.93	“treasury guidelines”	Any guidelines on supply chain management issued by the Minister in terms of the provisions of section 168 of the MFMA.
1.94	“trust”	The arrangement through which the property of one person is made over of bequeathed to a trustee to administer such property for the benefit of another person.
“U”		
1.95	“unserviceable”	The condition of an asset which is no longer suitable for use and cannot be economically repaired.
1.96	“unsolicited bid”	An offer submitted by any person or entity at its own initiative, without having been invited by the Municipality to do so as envisaged by section 113 of the MFMA read together with Regulation 37 of the SCMR.

2. INTRODUCTION

- (1) Section 111 of the MFMA requires each Municipality to adopt and implement a Supply Chain Management Policy which gives effect to the requirements of

the MFMA, and section 217(1) of the Constitution. In addition, the PPPFA requires the Municipality to determine its preferential procurement policy and to implement it within the framework prescribed. These requirements are given effect to herein.

- (2) The Supply Chain Management System of the Municipality, contained in this policy, provides a mechanism to ensure fair, equitable, transparent, competitive and cost-effective procurement and, sustainable and accountable supply chain management within the Municipality whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:
- (a) to stimulate and promote local economic development in a targeted and focused manner;
 - (b) to promote resource efficiency and “green procurement”;
 - (c) to facilitate creation of employment and business opportunities for the people of the Municipality with reference to HDI’s;
 - (d) to promote the competitiveness of local businesses;
 - (e) to increase the small business sector access, in general, to procurement business opportunities created by Council;
 - (f) to increase participation by small, medium and micro enterprises; and
 - (g) to promote joint venture or consortium partnerships.

3. TITLE AND APPLICATION OF THE POLICY

- (1) This policy shall be known as the Municipality’s Supply Chain Management Policy and shall be applicable to the municipal area of the Municipality as determined by the Municipal Demarcation Board and promulgated in terms of the provisions of section 12(1) and section 12(3)(c) of the Structures Act.

- (2) This policy applies to:
- (a) the procuring of goods and/or services;
 - (b) the disposal by Council of goods no longer needed;
 - (c) the selection of contractors to help in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; and
 - (d) the selection of external mechanisms referred to in section 80(1)(b) of the MSA for the provisions of municipal services in circumstances contemplated in section 83 of that Act.
- (3) Unless specifically stated otherwise herein or in the SCMR, this policy does not apply where the Municipality contracts with another organ of state for:
- (a) the provision of goods and/or services to the Municipality; or
 - (b) the provision of a municipal service or assistance in the provision of a municipal service; or
 - (c) the procurement of goods and services under a contract secured by that organ of state, provided that the relevant supplier has agreed to such procurement and the process is compliant to the provisions of this policy; or
- (4) Where the Municipality wishes to contract with another organ of state as envisaged in sub-paragraph (3), a report must nevertheless be submitted to the bid adjudication committee seeking authority to contract with another organ of state, including, water from the Department of Water Affairs or a public entity, another municipality or municipal entity and electricity from Eskom or another public entity, another municipality or municipal entity and approval must be given by the Municipal Manager in writing.

- (5) The Municipality and all private person/s and/or entities must adhere to the principles, provisions, rules and requirements contained in this policy when dealing with any matter connected with and/or contained herein.

4. AIM AND PURPOSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The aim and the purpose of the Supply Chain Management System is to have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain system when sourcing and procuring goods and/or services, selling or letting of assets, which conforms to constitutional and legislative principles and maximises the benefits from the Municipality's consolidated buying power in the market place.
- (2) The Municipality must manage its financial and administrative resources in such a manner as to meet and sustain statutory or social obligations.

5. OBJECTIVES OF THIS POLICY

- (1) The objectives of this policy are to implement the legislative provisions relating to the supply chain management of the Municipality, that:
- (a) gives effect to:
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the MFMA;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with:
 - (i) the regulatory framework prescribed in Chapter 2 of the SCMR; and

- (ii) any minimum norms and standards that may be prescribed by means of regulations or guidelines as envisaged by the provisions of section 168 of the MFMA;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in Supply Chain Management Systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The Municipality may not act otherwise than in accordance with this Supply Chain Management Policy when:
- (a) procuring goods and/or services;
 - (b) disposing of goods no longer needed;
 - (c) selecting contractors to help in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; or
 - (d) in the case of the Municipality selecting external mechanisms referred to in section 80(1)(b) of the MSA for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) To assure the creation of an environment where business can be conducted with integrity and in a fair, reasonable and accountable manner, this policy will ensure that the Municipal Manager and all officials of the Municipality involved in supply chain management activities must act with integrity, accountability, transparency and with the highest of ethical standards and free of favouritism, nepotism and corruption of any kind. The officials of the Municipality involved in supply chain management activities must adhere to the code of ethical standards contained in this policy, together with the Code of Conduct for Municipal Staff Members as contained in Schedule 2 of the MSA.

6. DELEGATED AUTHORITY OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

- (1) The Council has, in terms of its delegation of powers and functions in terms of the provisions of section 59 of the MSA, delegated such additional powers and duties to the Municipal Manager to enable the Municipal Manager:
 - (a) to discharge the supply chain management responsibilities conferred to the Municipal Manager in terms of:
 - (i) Chapter 8 and Chapter 10 of the MFMA; and
 - (ii) this policy;
 - (b) to maximise administrative and operational efficiency in the implementation of the Supply Chain Management System;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the Supply Chain Management System; and
 - (d) to comply with his/her responsibilities in terms of section 115 and other applicable provisions of the MFMA.
- (2) Section 79 and 106 of the MFMA applies to the sub-delegation of powers and duties delegated to the Municipal Manager in terms of sub-paragraph (1) above.
- (3) Neither the Council, nor the Municipal Manager may delegate or sub-delegate any supply chain management powers or duties:
 - (a) to a person who is not an official of the Municipality; or

- (b) to a committee which is not exclusively composed of officials of the Municipality; or
 - (c) other than as provided for in the Municipality's system of delegations.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.
- (5) No decision-making in terms of any supply chain management powers and duties may be delegated or sub-delegated to an external advisor or consultant. Consultants may however be engaged to advise or assist the officials and any committee of the Municipality with any functions or advice.
- (6) Delegations and/or sub-delegations of authority:
 - (a) must be in accordance with pre-established levels of authority to ensure control and division of responsibility;
 - (b) must be in terms of the Municipality's system of delegations;
 - (c) must be in writing;
 - (d) must be made to a specific position and not to a named individual;
 - (e) may be confirmed, varied or revoked by the person who made such delegation or sub-delegation, but no such variation or revocation may detract from any right which may have accrued because of the delegation or sub-delegation; and
 - (f) does not divest the Municipal Manager of the responsibility and/or accountability concerning the exercise of the delegated power or the performance of the delegated duty.

- (7) The Municipal Manager may confirm, vary or revoke any decision taken in terms of a delegation or sub-delegation, provided that no such variation or revocation may detract from any right which may have accrued because of such decision.
- (8) The Municipal Manager of the Municipality must develop and review, annually, a practical and efficient system of delegation and sub-delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the financial administration of the Municipality.

6.1 Sub-delegations

- (1) The Municipal Manager may, in terms of the provisions of section 79 or 106 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the Municipal Manager in terms of sub-paragraph 6(1) above, but any such sub-delegation must be consistent with the provisions of the MSA, the MFMA, the system of delegations adopted by the Municipality and this policy.
- (2) The power to make a final award:
 - (a) above R10 million (including VAT) may not be sub-delegated by the Municipal Manager; to comply with this requirement, the Municipal Manager may either chair the bid adjudication committee or consider recommendation of the bid adjudication committee and make a final award for bids above R million (including VAT);
 - (b) above R2 million (including VAT), but not exceeding R10 million (including VAT), may be sub-delegated but only to:
 - (i) the Chief Financial Officer;

- (ii) a director/senior manager, appointed in terms of the provisions of section 56 of the MSA; or
 - (iii) the bid adjudication committee of which the Chief Financial Officer or a director/senior manager is a member; or
- (c) not exceeding R2 million (including VAT) may be sub-delegated but only to:
 - (i) the Chief Financial Officer;
 - (ii) a director/senior manager, appointed in terms of the provisions of section 56 of the MSA;
 - (iii) a manager directly accountable to the Chief Financial Officer or a director/senior manager; or
 - (iv) the bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-paragraph (2) above, must within 5(five) days of the end of each month submit to the official referred to in sub-paragraph (4) below, a written report containing particulars of each final award made by such official or committee during that month, including:
 - (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
 - d) the BBBEE status of that supplier
- (4) All contract awards with a value exceeding R100 000 (VAT INCLUDED) must be captured and **reported on a quarterly basis to Council.**
- (5) A written report referred to in sub-paragraph (3) above must be submitted:
 - (a) to the Municipal Manager, in the case of an award by:
 - (i) the Chief Financial Officer;

- (ii) a director/senior manager, appointed in terms of the provisions of section 56 of the MSA; or
 - (iii) the bid adjudication committee of which the Chief Financial Officer or a director/senior manager is a member; or
- (b) to the Chief Financial Officer or the director/senior manager responsible for the relevant bid, in the case of an award by:
 - (i) a director/manager referred to in sub-paragraph (2)(c)(iii) above; or
 - (ii) the bid adjudication committee of which the Chief Financial Officer or a director/senior manager is not a member.
- (6) Sub-paragraphs (3) and (4) above do not apply to procurements out of petty cash.
- (7) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.
- (8) No decision – making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.

6.2 Oversight role of the Municipality

- (1) The Council must maintain oversight over the implementation of this policy by the Municipal Manager.
- (2) For the purposes of such oversight the Municipal Manager must:

- (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality;
 - (ii) whenever there are serious and material non-compliance, problems or deviations in the implementation of this policy, immediately submit a report on such matters to the Council.
- (3) The Municipal Manager must, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this policy to the Executive Mayor of the Municipality.
- (4) The Executive Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality and may monitor and oversee the exercise of responsibilities assigned to the Municipal Manager and Chief Financial Officer in terms of the MFMA. This role of the Executive Mayor is an oversight role only, and specifically excludes any interference or influence in or over a decision to award procurement contracts.
- (5) The reports of the municipality must be made public in accordance with Section 21A of the Municipal Systems Act. The reports of a municipal entity must be made public in a similar way.

6.3 Supply Chain Management Units

- (1) The Municipal Manager must establish a Supply Chain Management Unit to implement this policy.
- (2) The Supply Chain Management Unit must, where possible, operate under the direct supervision of the Chief Financial Officer, or an official to whom this duty has been delegated in terms of this paragraph.

7. COMPETENCY AND TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

- (1) The Municipal Manager must ensure that all officials involved in the implementation of this policy meet the prescribed competency levels, and where necessary, shall provide or procure relevant training.
- (2) The training of officials involved in implementing this policy must be in accordance with any treasury guidelines on supply chain management training.

8. DUTIES AND RESPONSIBILITIES

8.1 General responsibilities of the officials of the Municipality

- (1) Each official must carry out their activities within his/her area of responsibility.
- (2) Each official must take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in his/her area of responsibility.
- (3) Each official responsible for a task must carry it out in accordance with the various supply chain requirements contained in this policy.
- (4) Any matter not specifically delegated or sub-delegated to an official, must be referred to the Municipal Manager for proper allocation thereof.

- (5) Each official is responsible for all assets of the Municipality within his/her area of responsibility.

8.2 Responsibilities of the Municipal Manager

- (1) The Municipal Manager must:
- (a) ensure strict adherence and compliance with the provisions of this policy and all relevant legislation;
 - (b) implement and comply with the provisions of this policy;
 - (c) appoint the members of the Bid committees after personally ensuring the competency and suitability of such members for the position;
 - (d) ensure that the most favourable service providers are appointed in accordance with this policy and that any deviations from a proposal by the bid adjudication committee are, reported to the Council at the next available Council meeting;
 - (e) establish a Supply Chain Management Unit within the financial directorate to assist the Municipal Manager to implement this policy;
 - (f) review this policy at least annually or when the Municipal Manager considers it necessary and submits proposals or amendments to this policy to the Council.

8.3 Responsibilities of the Directors/Manager appointed in terms of the provisions of section 56 of the MSA

- (1) Each director/manager of the Municipality, appointed in terms of the provisions of section 56 of the MSA, is responsible and accountable for:

- (a) exercising the powers, performing the functions and discharging the duties conferred or assigned to him in terms of this policy or any delegation from the Municipal Manager;
- (b) implementing this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;
- (c) ensure compliance with this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;
- (d) developing draft specifications, or causing draft specifications to be developed, for the procurement by his/her directorate of goods or services;
- (e) the management of asset utilisation in his/her area of responsibility;
- (f) planning for and, in as far as is possible, accurately estimating the costs for the provision of services, works or goods for which offers are to be solicited;
- (g) selecting the appropriate preference point system to be utilised in the solicitation and evaluation of bids **in accordance with the PPPFA and its regulations (PPPR 2017)**;
- (h) assuring that objectives and targets are achieved about procurements and/or disposals by the Municipality; and
- (i) proper contract and project management of every contract and/or project undertaken by his/her directorate.

8.4 Responsibilities of the Chief Financial Officer

The Chief Financial Officer is the custodian of this policy and is responsible for:

- (1) reporting to the Municipal Manager on the progress regarding the implementation of this policy;

- (2) recommending improvements on the practical implementation of this policy and possible amendments;
- (3) the conducting of procurement audits of the entire Supply Chain Management System to identify successes and/or failures and/or unauthorised, irregular, fruitless and wasteful expenditure and to report on any findings which are not in accordance with the provisions of this policy to the Municipal Manager;
- (4) management of the quotation and competitive bidding process from the solicitation thereof to processing invoice payment;
- (5) promoting a corporate approach by encouraging standardisation of items purchased within the Municipality to realise and achieve economies of scale;
- (6) providing supplier interface on supplier performance issues;
- (7) ensuring that all procurement and/or disposals are provided in accordance with all relevant legislation;
- (8) managing procurement and/or disposals to ensure that the Supply Chain Management System and this policy are complied with;
- (9) ensuring that the procurement and/or disposal process followed by the Municipality adheres to the preference targets without compromising price, quality, service and developmental objectives;
- (10) ensuring that the officials of the Municipality who are involved in the supply chain management process receive the necessary training and are properly qualified to support the implementation of this policy;
- (11) specifying the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the Municipality;
- (12) the verification of applications from prospective service providers for possible inclusion in the Register;
- (13) submitting regular reports to the Municipal Manager and the relevant committee structure of the Municipality regarding progress and any matters of importance relating to this policy; and

- (14) authorising and designating officials to distribute bid documentation, and when required notices regarding supply chain management matters.

8.5 Responsibilities of the Supply Chain Management Unit

- (1) The SCMU shall be subject to the management and control of, and accountable to the Chief Financial Officer.
- (2) The SCMU must consist of at least the following sections or designate persons responsible for:
- (a) demand management;
 - (b) procurement/acquisition management;
 - (c) logistics;
 - (d) performance and contract management;
 - (e) disposal and asset management; and
 - (f) risk management.
- (3) The manager of the SCMU will be responsible and accountable for the day-to-day management of the SCMU.
- (4) The personnel of the SCMU are appointed by the Municipal Manager in consultation with the Chief Financial Officer.
- (5) The SCMU must issue, receive and finalise the appropriate documents for the procurement of goods and/or services by means of verbal, written or formal price quotations of a transaction value of over R2 000.00 (including VAT), up to R200 000.00 (including VAT), as well as all documents for procurement by

means of a competitive bidding process of a transaction value of over R200 000.00 (including VAT).

- (6) All documents for the disposal of movable and/or immovable capital assets must be issued, received and dealt with by the SCMU.

9. COMMUNICATIONS

All correspondence regarding this policy must be addressed to the manager of the SCMU and copied to the Municipal Manager.

CHAPTER 2

FRAMEWORK OF THE SCM POLICY

10. ESTABLISHMENT AND IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

The Supply Chain Management System of the Municipality is an integrated system for the acquiring of goods, works and services on a fair, equitable, competitive and cost-effective basis and consists of the following systems:

- (1) Demand management;
- (2) Acquisition management;
- (3) Logistics management;
- (4) Disposal management;
- (5) Risk management system; and
- (6) Performance management.

11. DEMAND MANAGEMENT SYSTEM

- (1) The Municipal Manager must establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments outlined in the Integrated Development Plan of the Municipality are delivered at the correct time, at the right price, at the right location, and that the quantity and quality satisfies the needs of the Municipality.
- (2) The Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to address its development challenges in a financial year. The IDP determines how the

resources of the Municipality will be allocated and is the planning device on which the budget is based.

(3) The demand management system must:-

- (a) Include timely development of procurement plans and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for, effectively delivered at the right locations, at the critical delivery dates, are of appropriate quality and quantity at a fair cost;
- (b) Take into account any benefits of economies of scale that may be derived in the case of acquisitions of repetitive nature;
- (c) Include development of a system which results on continuing improvement in affordability and value for money, based on total costs of ownership and quality of procurement as competition amongst suppliers is enhanced;
- (d) Provide for the compilation of the required specifications to ensure that its needs are met and;
- (e) Provide for an appropriate industry analysis and research to ensure that innovations and technical benefits are maximised.

(4) In order to achieve effective demand management, the manager of the SCMU must continuously ensure

- (a) that efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities;
- (b) the establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;
- (c) the development of a world-class professional Supply Chain Management System which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced; and

- (d) in dealing with suppliers and potential suppliers that the Municipality responds promptly, courteously and efficiently to enquiries, suggestions and complaints.
- (5) Each director/manager, appointed in terms of the provisions of section 56 of the MSA, must during the preparation of his/her directorate's estimates for the budget year:
 - (a) determine which functions must be performed;
 - (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 his/her directorate;
 - (d) based on the analysis in terms of the above, make recommendations and determine the 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;
 - (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.
- (6) The SCMU must, after consultation with each director/manager, compile a schedule of goods and services to be procured for capital projects in respect of each financial year, which schedule must be attached to the Municipality's budget implementation plan.

- (7) During the consultations between the SCMU and the directors/managers, all reasonable steps must be taken to determine:
- (a) the desired date and time at which a specific contract must be awarded;
 - (b) the desired date and time when specific goods must be delivered, services rendered, or work executed including key milestones and deliverables so that performance can be monitored and evaluated;
 - (c) the place where any goods to be supplied shall be delivered;
 - (d) the quantity of any goods to be supplied; and
 - (e) any other relevant matter.

(8) Procurement Plans-

9.1 Circular No. 62 from the MFMA, No. 56 as issued by National Treasury:

- (a) **Implementation of demand management and procurement plans.** The Municipal Manager of the municipality may, upon request, make available to the relevant Treasury a procurement plan containing all planned procurement for the financial year, in respect of the procurement of goods, services and infrastructure projects which exceeds R200 000 including vat. These procurement plans must be approved by the Municipal Manager or his/her delegate.
- (b) **Heads of departments and all user departments** of the municipality must submit the procurement plans to the Municipal Manager of the municipality, the procurement plans must then be submitted to the head of supply chain management in the municipality or in the municipal entity to improve planning and management of resources, with the format contained in the procurement plans.

(c) Submission of Procurement Plans

Key priority	Deadline	Responsible
Forward Procurement Plans to SCM	April to May each financial year	Directorates
Forward Specifications to SCM	June to August each financial year	Directorates

12. ACQUISITION MANAGEMENT

- (1) The acquisition management system provides the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts and orders of the Municipality.
- (2) The acquisition management system of the Municipality must ensure that:
 - (a) goods and/or services, including construction works and consultant services are procured by the Municipality in accordance with authorised processes incorporated herein;
 - (b) expenditure on goods and/or services, including construction works and consultant services is incurred and managed in terms of an approved budget;
 - (c) the threshold values for the different procurement procedures are complied with;
 - (d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with the requirements of relevant legislation including the PPPFA and any conditions of the CIDB (in as far as applicable); and
 - (e) that any procurement guidelines issued by National Treasury or the Provincial Treasury are properly considered, this includes the

Provincial Government and National Government programmes on
National Key Priorities to address socio-economic development.

3. This policy except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in Section 11(2) of the MFMA, including –
 - (a) Water from the Department of Water Affairs or public entity;
 - (b) Another municipality or a municipal entity; and
 - (c) Electricity from Eskom or another public entity, another municipality or a municipal entity.
- (4) The Municipality must make public the details of the nature of goods and/or services together with the name/s of the provider/s where the Municipality procures such goods and/or services from another organ of state or a public entity.
- (5) The Municipality must make public the fact that it procures goods and/or services otherwise than through its Supply Chain Management System, including:
 - (a) the kind/type of goods and/or services; and
 - (b) the name of the supplier.
- (6) Where appropriate the Municipal Manager may appoint a neutral and/or independent observer to ensure fairness and transparency in the application of the acquisition management system, or to assist and advise the SCMU in the execution of their functions and duties.
- (7) The Municipality may not enter into any contract which will impose financial obligations beyond the 3(three) years covered in the annual budget for that

financial year unless the requirements of section 33(1) of the MFMA have been fully complied with or proper provision has been made in such contract to so comply.

- (8) The following applies where the Municipality procures public-private partnership agreements:
 - (a) Part 2 of Chapter 11 of the MFMA; and
 - (b) section 33 of the same act where such agreement will have multi-year budgetary implications for the Municipality within the meaning of that section;
 - (c) the provisions of the Municipal Public-Private Partnership Regulations as published in terms of S 168 of the MFMA.
- (9) In respect of any contract relating to the publication of official and/or legal notices and/or advertisements through the legislated medium of publication on behalf of the Municipality, a competitive bidding process need not be followed.
- (10) The manager of the SCMU may request quotations directly from community-based vendors in a specific area or from a specific community for the procurement of goods and services for transaction amounts of a value less than R30 000.00 (including VAT).
- (11) This policy, save where the SCMR provides otherwise, does not apply in respect of the procurement of:
 - (a) goods or services to the Municipality in terms of a contract with another organ of state;
 - (b) the provision of a municipal service in terms of a contract with another organ of state;

- (c) goods and services under a contract secured by another organ of state provided that the supplier and that other organ of state has agreed and conserved in writing to such procurement and:
 - (i) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (ii) the Municipality on [reasonable enquiry] has no reason to believe that such contract was not validly procured;
 - (iii) there are demonstrable discounts or benefits for the Municipality to procure under such contract.

12.1 Range of procurement processes

- (1) The procurement of goods and services including construction works and consultant services must be done through the range of procurement processes set out in this paragraph, which are:
 - (a) petty cash purchases up to, and including a transaction value of R2 000.00 (including VAT);
 - (b) minimum of three (3) written quotations for procurement of a transaction value exceeding R2 000.00, up to and including a transaction value of R30 000.00 (including VAT);
 - (c) formal written price quotations acquired through a seven- day quotation for procurements of a transaction value exceeding R30 000.00, up to and including a transaction value of R200 000.00 (including VAT); and
 - (d) a competitive bidding process for:
 - (i) procurements above a transaction value of R200 000 up to R50 000 000 (VAT included) using the 80/20 preferential point scoring system;

(ii) procurements above a transaction value of R 50 000 000 (VAT included) using the 90/10 preferential point scoring system; and

(iii) the procurement of long term contracts

(2) The Municipal Manager of the Municipality may:

(a) lower, but not increase, the different threshold values specified in this acquisition management system; or

(b) direct that:

(i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000.00;

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000.00; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.00.

(3) Goods and/or services may not be deliberately divided into parts or items of a lesser value merely to avoid complying with the requirements of this policy and when transaction values are determined for procurements consisting of various parts or items it must, in as far as possible, be treated, dealt with and be calculated as a single transaction.

12.2 General preconditions for the consideration of written quotations or bids

(1) The Municipality may not consider a formal written price quotation obtained through seven (7) day quotation or competitive bidding unless the provider who submitted the quotation or bid:

(a) has furnished the Municipality with that provider's:

- (i) full name;
 - (ii) proof of registration with Company Intellectual Property Commission (CIPC) in the case of private company, public company or co-operatives, and Non- Government Organisation (NGO), with company registration number, certified ID copy with ID number in case of a sole proprietor or any other registration number and
 - (iii) tax reference number and CSD registration number;
 - (iv) VAT registration number, if any; and
 - (v) a certificate of attendance at a compulsory site inspection **or appear in the site inspection attendance register**, where applicable
- (b) has submitted an original and valid tax clearance certificate or PIN obtainable and CSD number from the South African Revenue Services (SARS) certifying that the provider's tax matters are in order;
- (c) the municipality must verify and attach proof of verification with all relevant documentation to prove that the verification was conducted. The designated official(s) should verify the bidder's tax compliance status prior to the finalisation of the award of the bid or price quotation obtained through seven (7) day quotation process.

Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by the bidder to the municipality or municipal entity must be verified via the CSD or e-Filing.

The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the time frame stated above.

It is not the responsibility of the municipality to obtain a copy of the service provider's tax clearance certificate and or a PIN form the South African Revenue Services (SARS); and

- (d) has indicated:
 - (i) whether he/she or it is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (ii) above, is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months.
- (e) statement(s) proving that water, electricity, rates and business levy accounts of the owners or directors of the company, including the business are up to date or formal payment arrangement has been made;
- (f) in a case of a company operating from the household under Tribal Authority, proof of address from the Chief or an affidavit from the South African Police Service (SAPS) must be provided with the quotation or bid;
- (g) in case where a company leases the operating space the valid proof of lease signed by both the lessee and the lessor must be furnished with the quotation or bid; and

- (h) Proof of registration on the Central Database and the registration number by the National Treasury.
- (i) Declaration for procurement above R10 million (all applicable taxes included)
- (j) Preference claim points or BBBEE
- (k) Declaration of local production where applicable
- (l) Declarations of bidders past supply chain management practices
- (m) Certificate of independent bid determination
- (n) Declaration of municipal fees

(2) Chapter 3 of this policy applies *mutatis mutandis* to this paragraph.

12.3 Lists of accredited prospective providers

- (1) The Municipal Manager must:
 - (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the Municipality through written or verbal quotations and formal written price quotations; The Municipality will have to advertise on the website, all the prospective bidders will have to register into the central supplier database to be able to do business with the Municipality.
 - (b) at least once a year through the newspapers commonly circulating locally, the website of the Municipality and any other appropriate ways, invite prospective providers of goods and/or services to apply for evaluation and listing as accredited prospective providers;
 - (c) specify the listing criteria for accredited prospective providers
 - (d) adhere to the specified listing criteria for accredited prospective providers; and
 - (e) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

- (2) Prospective providers will be allowed to submit applications for listing once a year as prescribed in 14(1)(b). This does not preclude any potential service provider from quoting or bidding. Should service provider be successful they would be required to meet all the requirements of the listing criteria of this policy before awarding is done in order for their quotations/bids to be responsive.
- (3) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services.
- (4) Prospective providers will be allowed to submit applications and amendments for listing at any time.
- (5) The list must be compiled per commodity and per type of service.
- (6) The listing criteria for accredited prospective providers which must be provided are among others are as follows as per the Municipal requirements
 - (a) name of supplier/service provider;
 - (b) physical address;
 - (c) postal address;
 - (d) contact person;
 - (e) contact person in sales department, if any;
 - (f) relevant telephone numbers;
 - (g) relevant fax numbers;
 - (h) relevant cellular phone numbers;
 - (i) relevant e-mail addresses;
 - (j) VAT registration number, if applicable;
 - (k) bank details;

- (l) type of industry and specific goods or services offered;
 - (m) valid certification for specialised services;
 - (n) valid tax clearance certificate;
 - (o) CIDB registration if applicable; and
 - (p) valid certification of HDI status.
- (6) For quotations up to and including R200 000.00 (including VAT), bidders are required to be registered on the Municipality's list of accredited prospective providers on or before the closing date for their quotations to be responsive.
- (7) All parties to a consortium or joint venture must comply with the requirements of sub-paragraphs (6) and (7) above.

12.4 Petty cash purchases

- (1) Petty cash purchases may be made where goods and/or services which does not exceed a transaction value of R2 000.00 (including VAT) are required.
- (2) The Municipal Manager may delegate the petty cash procurement responsibilities to a manager reporting to the Municipal Manager on the terms and conditions set for delegations in this policy. The Manager may not in turn delegate the responsibility for petty cash purchases to any other official.
- (3) Each director/manager appointed in terms of the provisions of section 56 of the MSA must compile and submit a monthly reconciliation report to the Chief Financial Officer, which report must include the total amount of petty cash purchases for that months accompanied by the receipts and appropriate documents for each purchase.

- (4) Dividing any purchases into lesser transaction values to circumvent the written price quotation and/or formal written price quotation processes is prohibited.
- (5) The total number of petty cash purchases per directorate is limited to 10 (ten) per month.

12.5 Written or verbal quotations

- (1) When the Municipality intends to procure by way of written or verbal quotations, goods and/or services which has a transaction value of over R2 000.00 (including VAT) up to and including R30 000.00 (including VAT), written price quotations must be obtained from at least 3 (three) different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Municipality, provided that if quotations are obtained from providers who are not so listed, such providers must meet the listing criteria in terms of the provisions of paragraph 12.3 above.
- (2) The Municipality must attempt to promote ongoing competition amongst providers of goods and/or services by inviting such providers to submit written or verbal quotations on a rotational basis.
- (3) Providers must be requested to submit such quotations in writing.
- (4) If it is not possible to obtain at least 3 (three) written quotations, the reasons must be recorded and approved by the manager of the SCMU who must, within 3 (three) days before the end of each month, report to the Chief Financial Officer on any such approvals given in this regard.

- (5) The Municipal Manager must record the names of the potential providers requested to provide quotations, together with their quoted prices.
- (6) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
- (7) Dividing required purchases into lesser transaction values to circumvent the written price quotation process is not permissible.
- (8) The Municipal Manager must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations is not abused and that full and complete records of all such procurements are kept including the date of the procurement, the goods or services procured, the selected provider, the details and prices of the other providers and any other relevant information.
- (9) The Municipal Manager and the Chief Financial Officer must, monthly, be notified in writing of all written or verbal price quotations accepted by an official acting in terms of a sub-delegation.
- (10) Notwithstanding the provisions of this paragraph, if formal written price quotations have been invited on the official website of the Municipality, or in writing to more than 3 potential suppliers, no additional quotes need be obtained where the number of responses thereto are less than 3 (three).
- (11) The Municipal Manager must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations are not abused.

- (12) The Municipal Manager and the Chief Financial Officer must, monthly, be notified in writing of all quotations accepted by an official acting in terms of a sub-delegation.

12.6 Formal written price quotations

- (1) Requests to submit formal written price quotations which are likely to be more than R30 000.00 (including VAT) but not exceed R200 000.00 (including VAT), must be advertised for at least 7 (seven) days on the official website of the Municipality as well as the official notice board of the Municipality.
- (2) Quotation documents must be available for download from the Municipality website.
- (3) The submissions must be submitted at the tender box of the Municipality no later than the stipulated date and time contained in the advert.
- (4) The submissions must be recorded to indicate the name, BBBEE level and where possible the bidding price of the potential suppliers.
- (5) The 80/20 preference point system for acquisition of goods and services shall be used to evaluate submissions of formal written quotation received through the seven - day quotation process.
- (6) The formal written quotation must be awarded to the highest scoring bidder in terms of the PPPFA and its regulations.
- (7) No formal quotation shall be awarded to any bidder owing rates and taxes more than 90 days.
- (8) The power of final award may be sub-delegated to the Head: Supply Chain Management Unit.

- (9) The sub-delegated authority must at the end of each month submit a report to the Chief Financial Officer regarding awards made through the seven-day formal written quotation process, which report must include the full name of the supplier, total amount of the award, BBBEE level and whether the supplier is within the jurisdiction of the Rustenburg Local Municipality.
- (10) No requirement for goods or services above an estimated transaction value of R30 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through seven (7) day quotation.

12.7 Competitive bids and process for competitive bids

- (1) Competitive bids must be called for any procurement of goods and/or services above a transaction value of R200 000.00 (including VAT), and/or for any long-term contracts.
 - (a) the 80/20 preference point system for acquisition of services, works or goods up to a rand value of R50 million must be used to calculate the points for price in respect of tenders with a rand value equal to or above R200 000 up to a rand value of R50 000 000 (all inclusive).
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Evaluation of tenders on functionality – If tenders will be evaluated on functionality it must be clearly specified in the tender invitation. The evaluation criteria must be objective, and the following must be clearly specified:

- (a) the evaluation criteria for measuring functionality;
- (b) weight of each criterion;

- (c) applicable values; and
 - (d) minimum qualifying score for functionality.
- (3) All bid documents must indicate:
- (i) the price validity of the bid in terms of days,
 - (ii) the general conditions of contract;
 - (iii) any Treasury guidelines on bid documentation; and
 - (iv) the requirements of the Construction industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (v) include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (vi) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (4) If the value of the transaction is expected to exceed **R10** million (VAT included), require bidders to declare:
- 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;
 - 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 than **30** days;
 - circulars of any contracts awarded to the bidder by any organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic;

13 PUBLIC INVITATION FOR COMPETITIVE BIDS

- (1) Invitations for competitive bidding must be done through the E-tender website, website of the Municipality and the notice board. The information a public advertisement must contain, which must include:
- (i) The closure date for the submission of bids, which may not be less than 30- days in the case of transactions over R10 million (**VAT** included), or which are of a long-term nature, or 14 days in any other case and 21 days for construction projects from the date on which the advertisement is placed and;

- (ii) bids may only be submitted on the bid documentation provided by the municipality.
- (2) the accounting officer can determine a closure date for the submission of bids which is less than the 30 or **14** - days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted to the municipality must be sealed.

12.8 Cancellation and re-invitation of tenders:

- (a) in the event that the application of the 80/20 preference point systems, all tenders received exceed the rand value of R 50 000 000, the tender invitation must be cancelled.
- (b) If one or more of the acceptable tenders received are within the prescribed threshold of R 50 000 000, all tenders received must be evaluated on the 80/20 preference point system.
- (c) In the event that, in the application of the 90/10 preference point system as stipulated in the tender documents, all tenders received are equal to, or below R50 000 000, the tender must be cancelled.
- (d) If one or more of the acceptable tenders received are above the prescribed threshold of R 50 000 000, all tenders received must be evaluated on the 90/10 preference point system.
- (e) An organ of state which has cancelled a tender invitation as contemplated in sub-regulations (1)(a) and (2)(a) must re-invite tenders and must, in the tender documents, stipulate the correct preference point system to be applied.
- (f) An organ of state may, prior to the award of a tender, cancel a tender if-
 - due to changed circumstances, there is no longer a need for the services, works or goods requested; or
 - funds are no longer available to cover the total envisaged expenditure; or
 - no acceptable tenders are received.

- The decision to cancel a tender in terms of sub-regulation (4) must be published in the Government Tender Bulletin or the media in which the original tender invitation was advertised.

No requirement for goods and/or services above an estimated transaction value of R200000.00 (VAT included), may be deliberately divided into parts or items of lesser value merely for the sake of circumventing the competitive bidding process and/or procuring such goods and/or services otherwise than through a competitive bidding process.

- (4) Goods and/or services to be procured which consist of various parts or items must, in as far as possible, be treated, dealt with and be calculated as a single Procedures for competitive bidding

The accounting officer must establish procedures for a competitive bidding process for each of the following stages:

- (a) the compilation of bidding documentation;
- (b) the public invitation of bids;
- (c) site meetings or briefing sessions, if applicable;
- (d) the handling of bids submitted in response to public invitation;
- (e) the evaluation of bids;
- (f) the award of contracts;
- (g) the administration of contracts; and
- (h) proper record keeping.

transaction.

12.7.1 Bid documentation for competitive bids

- (1) In addition to the contents of paragraph 12.2 of this policy, the compilation of bid documentation by the Municipality must:
 - (a) consider and contain, where applicable:
 - (i) the General Conditions of Contract of National Treasury (July 2010, or as amended from time to time);
 - (ii) any treasury guidelines on bid documentation;
 - (iii) the requirements of the CIDB, including the general conditions of contract, in the case of a bid relating to construction works, upgrading or refurbishment of buildings or infrastructure;
 - (iv) supply chain management guidelines of National Treasury or the Provincial Treasury in respect of goods and/or services;
 - (v) the General Conditions & Procedures of the State Tender Board;
 - (vi) the general conditions of contract, in as far as applicable; andin as far as the contents of the above referred to documents are in accordance and amplification of this policy, but in the event of any conflict between the contents of these documents and this policy, the provisions of this policy will prevail.
 - (b) include evaluation and adjudication criteria, including any criteria required by other applicable legislation, and in instances where functionality forms part of such criteria ensure that the bid documentation complies with the conditions set pertaining to functionality as set out in the PPR and National Treasury's SCM Circular 53;
 - (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 (including VAT), require bidders to furnish:
 - (i) their audited annual financial statements, if the bidder is required by law to prepare annual financial statements for auditing:
 - (aa) for the past 3(three) years; or
 - (bb) since their establishment, if the bidder was established during the past 3 (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 (thirty) days;
 - (iii) particulars of any contracts awarded to the bidder by the Municipality during the past 5 (five) years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and
 - (iv) a statement indicating whether any portion of the goods and/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;
- (e) stipulate that disputes, objections, complaints and quires must be dealt with as prescribed in terms of this policy and the SCMR;
- (f) a clear indication of the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory;
- (g) an appropriate contract and/or delivery period specification for all contracts;

- (h) the requirements of the preferential procurement paragraph of this policy (Chapter 5) and be clearly set out in the bid documentation.
- (2) Bid documentation and evaluation criteria may not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost-effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement paragraph of this policy.
- (3) Bid documentation must compel a bidder to furnish the following:
 - (a) full name/s;
 - (b) identification number, company or other registration number;
 - (c) tax reference number;
 - (d) VAT registration number, if any;
 - (e) an original tax clearance certificate from SARS stating that the bidder's tax matters are in order and CSD reference numbers;
 - (f) proof that the bidder's account and that of any member or director of the bidder for municipal rates and taxes and municipal service charges are not in arrears, or where the bidder does not have such an account, the person(s) managing or in control of the bidder; and
 - (g) disclosure as to whether:
 - (i) the bidder is listed on any government database of persons prohibited from doing business with the public sector; or
 - (ii) has failed to perform satisfactorily on a previous contract with the Municipality or any other municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - (iii) the bidder or any of its members or directors has committed a corrupt or fraudulent act in competing for the contract;

- (iv) the bidder or any of its members or directors:
 - (aa) has abused the Supply Chain Management System of the Municipality or has committed any improper conduct in relation to such system;
 - (bb) has been convicted of fraud or corruption during the past five years;
 - (cc) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public-sector contract during the past 5 years; or
 - (dd) has been listed in the Register for Tender Defaulters in terms of S29 of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004.
- (4) A provision for the termination/cancellation of the contract in the case of no or under-performance must be included in the bid documentation.
- (5) Unless otherwise indicated in the bid documents, the Municipality will not be liable for any expenses incurred in the preparation and/or submission of a bid.
- (6) Bid documentation must state that the Municipality is not be obliged to accept the lowest bid, any alternative bid or any bid.
- (7) Bid documentation must compel bidders to declare any conflict/s of interest they may have in the transaction for which the bid is submitted.
- (8) The bid documentation must require bidders to disclose:
 - (a) whether he or she is in the service of the state, or has been in the service of the state within the previous 12 (twelve) months;

- (b) if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or
 - (c) whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (8)(b) above, is or has been in the service of the state within the previous 12 (twelve) months.
- (9) Bid documentation for consultant services must require bidders to furnish to the Municipality of all consultancy services, and any similar services (to the services being bid for) provided to the Municipality in the last 5 (five) years.
- (10) Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the Municipality, shall vest in the Municipality.
- (11) Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
- (12) Where provided for in the bid documentation, an alternative bid must be submitted on a separate complete set of bid documents and must clearly be marked “Alternative Bid”, to distinguish it from the unqualified bid.
- (13) Bid documentation must state that the Municipality will not be bound to consider alternative bids.
- (14) Bid documentation must provide the validity period of the bid. The validity of the bid can only be extended once and must be extended before they expire as stated on the bid document.

- (15) Unless the Municipal Manager directs otherwise, bids are invited within the Republic only.
- (16) The laws of the Republic will apply and govern contracts of the Municipality arising from the acceptance of bids.
- (17) Bid documentation must also state that:
 - (a) the Municipality may award the bid to the bidder who has not scored the highest points if objective criteria, in addition to the criteria set out in section 2(1)(d) and section 2(1)(f) of the PPPFA, justify the award of the bid to another bidder; and
 - (b) where a bid appears to be unrealistic and the Municipal Manager has satisfied himself or herself on enquiry with the bidder that the bid cannot be completed on the terms or for the price so bid, that such bid may be excluded.

12.7.2 Public invitation for competitive bids

- (1) The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:
 - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or municipal entity or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
- (2) The notice of invitation must contain the following advertisement information:

- (a) the closure date and time for the submission of bids, which may not be less than 30 (thirty) days in the case of transactions over R10 million (including VAT), or which are of a long-term nature, 21 days for construction and 14 (fourteen) days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-paragraph (3) below;
 - (b) a statement that bids may only be submitted on the bid documentation provided by the Municipality;
 - (c) the title of the proposed contract and the bid or contract reference number;
 - (d) such particulars of the proposed contract as the Municipality deems fit;
 - (e) the date, time and location of any site inspection, if applicable;
 - (f) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - (g) the place where bids must be submitted;
 - (h) the required CIDB contractor grading for construction works, if applicable; and
 - (i) the validity period of the bid.
 - (k) the evaluation criteria to used.
- (3) The Municipal Manager may determine a closure date for the submission of bids which is less than the 30 (thirty), 21 days for construction or 14 (fourteen) days requirement provided in sub-paragraph (2) above, but only if such shorter period can be justified on the grounds of an emergency, urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.

- (4) The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents, which tender fee will be determined by the Chief Financial Officer in terms of paragraph 8.4 above.
- (5) Bid documentation will be available for collection until the closing date and time of bids.
- (6) Bids submitted to the Municipality must be sealed.
- (7) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

12.7.3 Issuing of bid documents

- (1) Bid documents and any subsequent notices may only be issued by officials authorised and designated by the Chief Financial Officer
- (2) Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.
- (3) Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

12.7.4 Site inspections

- (1) In general, and where applicable, site inspections will not be compulsory unless otherwise stated in the bid documents.

- (2) If site inspections are compulsory and to be held, this fact, as well as full details of the site inspection must be included in the bid notice.
- (3) Where site inspections are made compulsory, the date for the site inspection must be at least 14 (fourteen) days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.
- (4) If at a site meeting, any additional information is provided, or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with sub-paragraph 12.7.12 below of this policy.

12.7.5. Pre-qualification criteria for preferential procurement

If the Municipality decides to apply pre-qualifying criteria to advance certain designated groups, it must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-

- (a) a tenderer having a stipulated minimum B-BBEE status level of contributor; (b) an EME or QSE;
- (c) a tenderer subcontracting a minimum of 30% to-
 - (i) an EME or QSE which is at least 51% owned by black people;
 - (ii) an EME or QSE which is at least 51% owned by black people who are youth; (iii) an EME or QSE which is at least 51% owned by black people who are women;
 - (iv) an EME or QSE which is at least 51% owned by black people with disabilities;

- (v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - (vi) a cooperative which is at least 51% owned by black people;
 - (vii) an EME or QSE which is at least 51% owned by black people who are military veterans;
 - (viii) an EME or QSE.
- (2) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

12.7.6. Two-stage (prequalification) bidding process

- (1) This process may be applied to bids for:
- (a) large complex projects of a specialist or long-term nature; or
 - (b) where there are legislative, speciality design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid;
 - (c) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (d) long term projects with a duration exceeding 3 (three) years.
- (2) In the first stage of a bid (prequalification) bidding process, bidders are, invited to firstly prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals and/or a financial offer. In the first stage bidders may be invited to submit technical proposals on conceptual design or performance specifications or other matters.

- (3) In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals and priced bids.
- (4) The notice inviting bidders to pre-qualify must comply with the provisions for the public invitation of competitive bids as
- (5) Once bidders have pre-qualified for a project, they must be given no less than 7 (seven) days to submit a final technical proposal and/or a financial offer.

12.7.7 PREPARATION OF THE TERMS OF REFERENCE (TOR'S)

Rustenburg Local Municipality should prepare the TOR. The scope of the services described should be compatible with the available budget. The TOR should define clearly the task directive (methodology), objectives, goals and scope of the assignment and provide background information, including a list of existing relevant studies and basic data, to facilitate the consultants' preparation of their bids.

- (1) Time frames linked to various tasks should be specified, as well as the frequency of monitoring actions. The respective responsibilities of Rustenburg Local Municipality and the consultant should be clearly defined.
- (2) The evaluation criteria, their respective weights, the minimum qualifying score for functionality and the values that will be applied for evaluation should be clearly indicated. The evaluation criteria should include at least the following:
 - (a) Consultant's experience relevant to assignment.
 - (b) The quality of the methodology.
 - (c) The qualifications of key personnel; and
 - (d) The transfer of knowledge (where applicable).

- (3) In more complicated projects, provision may also be made for pre-bid briefing sessions or presentations by bidders as part of the evaluation process.
- (4) A clear indication should be given of which preference point system in terms of the PPPFA and its associated Regulations will be applicable as well as the goals to be achieved and the points allocated for these goals.
- (5) Detailed information on the evaluation process should be provided by firstly indicating the ratio of percentage between functionality and price. The percentage for price should be determined taking into account the complexity of the assignment and the relative importance of functionality. The percentage for price should normally be determined and approved by the Accounting Officer or the delegate prior to finalising the TOR.
- (6) If transfer of knowledge or training is an objective, it should be specifically outlined along with details of number of staff to be trained, etc., to enable consultants to estimate the required resources. The TOR should list the services and surveys necessary to carry out the assignment and the expected outputs (for example reports, data, maps, surveys, etc), where applicable.
- (7) Evaluation criteria could be divided into sub-criteria.
- (8) Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked. The cost estimate should be based on the Accounting Officer or delegate assessment of the resources needed to carry out the assignment such as staff time, logistical support and physical inputs (i.e. vehicles, laboratory equipment, etc). The cost of staff time should be estimated on a realistic basis for foreign and local personnel.
- (9) The TOR should specify the validity period (normally 60 – 90 days).
- (10) The TOR should form part of the standard bid documentation. At this stage the evaluation panel, consisting of at least three members who are demographically representative in terms of race, gender and expertise, should also be selected and finalised.

12.7.8 DRAFTING OF THE TERMS OF REFERENCE

- (1) A consultant shall execute his/her tasks according to the TOR.
- (2) The TOR shall clearly define the task directive (methodology), objectives, goals and scope of the assignment and provide background information to facilitate the consultants' preparation of their bids. It shall include at least the following:
 - (a) timeframes linked to various tasks.
 - (b) nature and frequency of monitoring actions.
 - (c) respective responsibilities of Rustenburg Local Municipality and consultant.
 - (d) evaluation criteria, their respective weights, minimum qualifying score for functionality, among others:
 - (i) consultant's experience.
 - (ii) quality of the methodology.
 - (iii) qualification of key personnel.
 - (iv) transfer of knowledge (where applicable).
 - (v) pre-bid briefing sessions or presentations by bidders, if necessary.
 - (vi) the relevant PPPFA preference point system to be used.
 - (vii) PPPFA goals to be attained through the contract as well as points allocated for these goals.
 - (viii) the ratio between price and functionality.
 - (ix) consultants may be requested to submit their prices and proposals in two separate envelopes (two-envelope system).

12.7.9 Validity periods

- (1) The period for which bids are to remain valid and binding must be indicated in the bid documents. If no bidder has been appointed during the validity period, or the extended validity period as referred to below, the bid will lapse.
- (2) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
- (3) This period of validity may be extended by the chairperson of the bid evaluation committee, provided that:
 - (a) the original validity period of the bid has not already expired;
 - (b) all the bidders who have submitted bids have been requested to consent to the extension of the validity period and to confirm that their prices and terms will remain as initially stated until expiry of the extended validity period;
 - (c) all the bidders who have submitted bids have agreed in writing to the extension of the validity period of the bid and to their price and terms remaining valid for the extended period; and
 - (d) the validity period of a bid may only be extended once.
- (4) If bidders are requested to extend the validity period of their bids as referred to in sub-paragraph (3) because of an objection or complaint being lodged:
 - (a) it must be made clear to bidders that this is the reason for the request for the extension of the validity period; and
 - (b) the responsible official must ensure that all bidders are requested to extend the validity period and terms of their bids where necessary to ensure that the bids remain valid throughout the objection or complaint period or until the objection or complaint is finalised.

12.7.10 Contract price adjustment

- (1) For all contract periods equal to or exceeding 1 (one) year, an appropriate contract price adjustment formula must be specified in the bid documents.
- (2) In general, if contract periods do not exceed 1 (one) year, the bid shall be a fixed price bid and not subject to contract price adjustment.
- (3) If, however, because of any extension of time granted or extension of the bid validity period, the duration of a fixed price contract exceeds 1 (one) year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such 1 (one) year.

12.7.11 Provisional sums and prime cost items

- (1) If monetary allowances more than R200 000.00 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by subcontractors/suppliers, then a competitive bidding process shall be followed in respect of these sums/items.
- (2) When monetary allowances of less than R200 000.00 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by subcontractors/suppliers, the contractor must be required to obtain a minimum of 3 (three) written quotations for approval by the responsible agent.

12.7.12 Samples

- (1) Where samples are called for in the bid documents, samples marked with the bid and item number as well as the bidder's name and address must be delivered separate from the bid to the addressee mentioned in the bid documents.
- (2) Bids may not be included in parcels containing samples.
- (3) If samples are not submitted as required in the bid documents or within any further time stipulated by the chairperson of the bid evaluation committee in writing, then the bid concerned may be declared non-responsive.
- (4) Samples must be supplied by a bidder at his/her own expense and risk.
- (5) The Municipality will not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and reserves the right not to return such samples and to dispose of them at its own discretion.
- (6) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample.
- (7) All goods/materials supplied shall comply in all respects to that contract sample.

12.7.13 Closing of Bids

- (1) Bids shall close on the date and at the time stipulated in the bid notice inviting the bids.

- (2) Save in instances as contemplated in paragraph 12.7.2(3) above, the bid closing date may not be less than the periods as prescribed in terms of paragraph 12.7.2(2)(a) above.
- (3) For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
- (4) No Clause.
- (5) The bid closing date may be extended prior to the original bid closing date by the manager of the SCMU, if circumstances justify such an extension, provided that the closing date may not be extended unless a notice is published in the press where the bid was originally advertised, which notice must also be posted on the official notice boards designated by the Municipal Manager.
- (6) The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in this paragraph, but only if such shorter period can be justified on the grounds of an emergency, urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.

12.7.14 Communication with bidders before bid closing

- (1) The manager of the SCMU may, if necessary, communicate with prospective bidders and/or bidders prior to bids closing.
- (2) Such communication shall be in the form of a notice issued to all prospective bidders and/or bidders who have already submitted bids or indicated the

intention to do so by the manager of the SCMU by either e-mail, facsimile, or registered post, as may be appropriate.

- (3) A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.
- (4) Notices should be issued at least one week prior to the bid closing date, where possible.
- (5) Notwithstanding a request for acknowledgement of receipt of any notice issued, the prospective bidders and/or bidders who have already submitted bids or indicated the intention to do so will be deemed to have received such notice if the procedures in sub-paragraphs (2), (3) and (4) above, have been complied with.

12.7.15 Submission of bids

- (1) Bids must be submitted before the closing date and time, at the address and in accordance with the directives in the bid documents.
- (2) Each bid must be in legible writing using non-erasable black ink and must be submitted on the official form of bid/offer issued with the bid documents.
- (3) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope.
- (4) The envelope may not contain documents relating to any bid other than that shown on the envelope.

- (5) Only sealed bids will be accepted.
- (6) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- (7) Postal bids will not be accepted for consideration.
- (8) No bids forwarded by telegram, facsimile or similar apparatus may be considered.
- (9) Photostat copies of bids or facsimiles which are submitted in the prescribed manner will, however, be considered, provided the original forms of bid/offer can be shown to have been posted or couriered prior to the close of bids.
- (10) Electronic bids will not be accepted.
- (11) The bidder shall choose a *domicilium citandi et executandi* within the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- (12) No person may amend or tamper with any bids or quotations after their submission.

12.7.16 Late bids

- (1) A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
- (2) A late bid will not be admitted for consideration and where feasible, but without any obligation to do so whatsoever, will be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

12.7.17 Opening of bids

- (1) At the specified closing time on the closing date, the applicable bid box must be closed in public.
- (2) The bid box must be opened in public as soon as practical after the closing time.
- (3) Immediately after the opening of the bid box, all bids must be opened in public and at the same time checked for physical and outward compliance as to whether the bid was contained in a sealed envelope.
- (4) The official opening the bids must in all cases read out the name of the bidder and, where practical, the amount of the bid.
- (5) As soon as a bid or technical proposal has been opened the Municipal Manager must ensure that:
 - (a) all bids received in time must be recorded in the bid opening record;
 - (b) the bid/proposal must be stamped with the official stamps, and endorsed with the opening official's signature;

- (c) the name of the bidder, and where possible, the bid sum must be recorded in the bid opening record kept for that purpose;
 - (d) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record;
 - (e) the bid opening record must be made public for inspection; and
 - (f) the entries in the bid opening record must be published on the website of the Municipality.
- (6) There shall be no obligation on the Municipality to re-direct bids found to have been inadvertently placed in the incorrect bid box. Bids shall not be re-directed unless the applicable bids either closed on the same day at the same time or are still open. The Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box.
- (7) A record of all bids placed in an incorrect box must be kept and such record must contain details of the official who discovered the bid in the incorrect bid box.
- (8) Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained where possible. In this regard:
- (a) a bid which was in the correct bid box will be read out;
 - (b) a bid which is found to be in the incorrect bid box, may be redirected provided that the applicable bids either closed on the same day at the same time, or are still open; and
 - (c) where the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box.
 - (d) where the bid number or title cannot be ascertained from an examination of the bid documents, the bid may be declared invalid.

- (9) The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

12.7.18 Invalid bids

- (1) Bids will be invalid and be endorsed and recorded as such in the bid opening record by the responsible official appointed by the manager of the SCMU to open the bid, in the following instances:
- (a) where the bid is not sealed;
 - (b) where the bid, including the bid price/tendered amount, where applicable is not submitted on the official form of bid/offer;
 - (c) where the bid is not completed in non-erasable ink;
 - (d) where the form of bid/offer has not been signed;
 - (e) where the form of bid/offer is signed, but the name of the bidder is not stated, or is indecipherable;
 - (f) where the bid envelope does not contain the title of the bid and bid number, and these cannot be ascertained from an examination of the bid documents.
- (2) When bids are declared invalid at the bid opening, the bid sum of such bids may not be read out, however, the name of the bidder and the reason for the bid having been declared invalid must be announced and recorded in the bid opening record.

12.7.19 Bid sum

- (1) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words must be read out at the bid opening and this will be the price upon which the bid is evaluated.
- (2) All rates, apart from rates set out in rate only bids, and proprietary information are confidential and may not be disclosed.

12.8. Committee system for competitive bids

- (1) The committee system of the Municipality for competitive bids provides for:
 - (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee.
- (2) The Municipal Manager of the Municipality:
 - (a) must appoint the members of each committee and, in doing so, must consider section 117 of the MFMA;
 - (b) may, when appropriate, appoint a neutral or independent observer to ensure fairness and transparency in the application of this acquisition management system; and
 - (c) may apply the committee system to formal written price quotations.

12.9 Bid specifications

- (1) The bid specification committee must compile the specifications for each procurement of goods and/or services by Municipality.

(2) The specifications:

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods and/or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, South African Bureau of Standards 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 forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (e) may not refer to any 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”;
- (f) must indicate each specific goal for which points may be awarded;
- (g) must reserve the Municipality’s right to reject any bid which is unrealistic or which if accepted may expose the Municipality to unacceptable risk provided that the Municipality has first, after consultation with the bidder, satisfied itself that the bid is indeed unrealistic and would expose the Municipality to unacceptable risk if accepted;
- (h) must wherever professional services or construction or specialist services are procured, provide for a suitable mechanism to verify the expertise and ability of the bidder to undertake to execute the bid at an appropriate standard. This may include providing for pre-qualification criteria, previous track record or any other appropriate method; and

- (i) must be approved by the Municipal Manager prior to publication of the invitation for bids;
 - (j) may stipulate that goods or services equating up to 25% of the value of the bid price/tendered amount must be subcontracted to a local business, or to a local business which is listed on the Municipality's list of approved local SMME businesses.
- (3) Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient and if the bid specifications also contain extracts from such standard documents, then unless the specifications expressly provide otherwise, the entire document referred to shall be incompetent and the reference to extracts therefrom in the specifications shall not exclude those terms not expressly quoted.

12.10 Bid specification committee

- (1) All bid specifications and bid documentation must be compiled by the bid specification committee of the Municipality. An ad hoc bid specification committee may be constituted for a projector procurement activity.
- (2) The bid specification committee shall be comprised of at least 3 (three) officials of the Municipality, an appointed chairperson, a responsible official and at least 1 (one) supply chain management practitioner of the Municipality.
- (3) Where appropriate a representative of internal audit department/division and/or legal services department/division and/or an external specialist advisor may form part of this committee provided that no person, advisor or competent

entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.

- (4) Green procurement must be incorporated as far as reasonable possible, for all specifications of goods and/or services.
- (5) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.
- (6) The Municipal Manager, or his delegated authority, must adhere to the provisions of section 117 of the MFMA when appointing the members of the bid specification committees.
- (7) Bid specification committee meetings must be conducted in accordance with the applicable Rules of Order/Standing Rules regulating the conduct of meetings of the Municipality and must be fully recorded.

12.11 Bid evaluation

- (1) The Municipality shall not be obliged to accept any bid.
- (2) The Municipality shall have the right to accept the whole or part of a bid or any item or part of an item of a bid or to accept more than one bid for goods and services.
- (3) The bid evaluation committee must:
 - (a) evaluate bids in accordance with:
 - (i) the specifications which were set for the bid; and

- (ii) the points system as prescribed by the PPPFA, and if functionality forms a part of the evaluation criteria of the bid, then compliance with the applicable provisions of the PPR and National Treasury's Circular 53 pertaining to functionality must be ensured;
- (b) evaluate each bidder's ability to execute the contract;
- (c) check for responsiveness and compliance with the prescribed formalities and requirements as set out in the bid documentation i.e. whether municipal rates and taxes and municipal service charges are not in arrears and tax matters in order; and
- (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

12.12 Bid evaluation committee

- (1) The bid evaluation committee must as far as possible be composed of:
 - (a) officials from departments requiring the goods and/or services; and
 - (b) at least one supply chain management practitioner of the Municipality.
- (2) The responsible agent, if applicable, must carry out a preliminary evaluation of all valid bids received and submit a draft bid evaluation report to the bid evaluation committee for consideration. The bid evaluation committee may engage independent external experts to provide reports or guidance to assist the bid evaluation committee in their evaluations provided that only the bid evaluation committee may exercise discretion and make any decisions and provided further that no such external person, advisor or entity involved with the bid evaluation committee, or director or member of such corporate entity, may bid for any resulting contracts.

- (3) Any evaluation of a bid must consider the bids received and note for inclusion in the evaluation report all details of a bidder:
- (a) whose bid was endorsed as being invalid by the responsible official at the bid opening;
 - (b) whose bid does not comply with the provisions of the Prevention and Combating of Corrupt Activities Act;
 - (c) whose bid does not comply with the general conditions applicable to bids and quotations of this policy;
 - (d) whose bid is not in compliance with the specifications for the bid or does not meet the pre-qualification criteria or who is otherwise excluded by the bid specifications or conditions;
 - (e) whose bid does meet the minimum points for functionality, if applicable;
 - (f) whose bid is not in compliance with the terms and conditions of the bid documentation;
 - (g) whose bid does not comply with any minimum points and goals stipulated in terms of the preferential procurement paragraph of this policy and the PPPFA;
 - (h) who is not registered and listed on the list of accredited providers of the Municipality;
 - (i) who, in the case of construction works acquisitions, does not comply with the requirements of the CIDBA regarding registration of contractors;
 - (j) who has failed to submit an original and valid tax clearance certificate from SARS, certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS.
- (4) Bids shall be evaluated according to the following, as applicable:
- (a) functionality;

- (b) bid price and specific goals as per the applicable provisions of the PPPFA (corrected, if applicable and brought to a comparative level where necessary);
 - (c) the unit rates and prices;
 - (d) the bidder's ability to execute the contract;
 - (e) any qualifications to the bid;
 - (f) the bid ranking obtained in respect of preferential procurement as required by this policy;
 - (g) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and
 - (h) any other criteria specified in the bid documents.
- (5) No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document and at the bid price.
- (6) Additional information or clarification of bids may be called for if required but only in writing and as stipulated in terms of this policy.
- (7) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted and the alternate is clearly marked as such.
- (8) Where a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the bid adjudication committee.
- (9) The bidder obtaining the highest number of points must be recommended for acceptance unless there are objective criteria in addition to the criteria mentioned in section 2(1)(d) and section 2(1)(e) of the PPPFA justifying the award of the bid to another bidder.

- (10) Where, after bids have been brought to a comparative level, 2 (two) or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.
- (11) Where 2 (two) or more bids are equal in all respects, the bid evaluation committee will draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- (12) All disclosures of a conflict of interest must be considered by the bid evaluation committee and shall be reported to the bid adjudication committee.
- (13) The bid evaluation committee must, having considered the responsible agent's draft report (if any), submit a report, including recommendations regarding the award of the bid or any other related matter, to the bid adjudication committee for award.
- (14) A bid evaluation committee can either be constituted on an ad hoc basis for each project or procurement activity or be appointed by the Municipal Manager for a financial year, to evaluate bids received.
- (15) The bid evaluation committee shall be comprised of at least 3 (three) officials of the Municipality, an appointed chairperson, who may be the same person as the chairperson of the bid specification committee, a responsible official and at least one supply chain management practitioner of the Municipality.
- (16) Where appropriate, a representative of internal audit department/division and/or legal services department/division may form part of this committee, which may also include other internal specialists/experts as necessary.

- (17) External specialists/experts may advise the bid evaluation committee, as required.
- (18) The Municipal Manager, or his delegated authority, must, considering section 117 of the MFMA, appoint the members of the bid evaluation committees.
- (19) Bid evaluation committee meetings must be conducted in accordance with the applicable Rules of Order/Standing Orders regulating the conduct of meetings of the Municipality.

12.13 Bid adjudication

- (1) The bid adjudication committee must:
 - (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either:
 - (i) depending on its delegations, make a final award or make a recommendation to the Municipal Manager regarding the making of a final award; or
 - (ii) make another recommendation to the Municipal Manager on how to proceed with the relevant procurement.
- (2) Where it holds the delegated power to do so in terms of the Municipality's system of delegations, the bid adjudication committee may make an award to a preferred bidder, subject to the Municipal Manager negotiating with the preferred bidder, provided that such negotiation is in accordance with the conditions set out in sub-paragraph (3) below, which apply *mutatis mutandis*.

- (3) The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidder, provided that such negotiation:
- (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder;
 - (c) does not lead to a higher price than the bid as submitted; and
 - (d) minutes of such negotiations must be kept for record purposes; and overall
 - (e) does not materially affect the bid in a manner which compromises the integrity of the bidding process.
- (4) If a bid other than the one recommended in the normal course of implementing this policy is approved, then the Municipal Manager must, within 10 (ten) working days and in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.
- (5) The Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the bid evaluation committee or bid adjudication committee back to that committee for reconsideration of the recommendation.
- (6) A person aggrieved by a decision or action taken in the execution of this policy may lodge within 14 (fourteen) days of such a decision or action a written objection or complaint to the Municipality against the decision or action as set out in paragraph 20.3 below of this policy.
- (7) Bid documents must state that any objection or complaint in terms of this policy must be submitted in writing to the Municipal Manager at the address stated, and must contain the following:

- (a) reasons and/or grounds for the objection or complaint;
 - (b) the way in which the objector or complainant's rights have been affected; and
 - (c) the remedy sought by the objector or complainant.
- (8) No bid may be formally accepted until either the expiry of the 14 (fourteen) day objection or complaint period, confirmation in writing before the expiry of the 14 (fourteen) day objection or complaint period that none of the affected parties intend to object or complain or confirmation of the satisfactory resolution of any objection or complaint.
- (9) If the bid adjudication committee or the Municipal Manager has resolved that a bid be accepted, the successful bidder must be notified in writing of this decision.
- (10) The successful bidder must, in addition, be advised of the 14 (fourteen) day objection or complaint period and be notified that no rights accrue to him/her until the bid is formally accepted in writing.
- (11) Every notification of decision must be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification which must be kept for record purposes.
- (12) Where it becomes necessary to cancel or re-advertise formal bids, a report to this effect must be submitted to the bid adjudication committee for decision.

- (13) Where bids have been cancelled, all bidders must be notified of such cancellation in writing.
- (14) It is not necessary to notify original bidders when new bids are invited and advertised.
- (15) No bid may be re-advertised before the expiry of the validity period of the original bid or any extended validity period.
- (16) Notwithstanding sub-paragraph (14) above and where no valid bids are received, or all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may forthwith be re-advertised.
- (17) In the case of bids for construction works, and where the bid adjudication committee resolved that there were no responsive bids received, then the bid may forthwith be re-advertised.

12.14 Bid adjudication committee

- (1) The bid adjudication committee must consist of at least 4 (four) senior managers of the Municipality which must include:
 - (a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;
 - (b) at least one senior supply chain management practitioner who is an official of the Municipality; and

- (c) a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.
- (2) The Municipal Manager must appoint the chairperson of the committee. When the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (3) 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) Where the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid:
 - (a) ensure that the preferred bid is in all respects responsive and compliant and verify that the preferred bidder's municipal rates and taxes and municipal service charges are not in arrears;
 - (b) notify the Municipal Manager, who may:
 - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee; and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (5) The Municipal Manager may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

- (6) The Municipal Manager must comply with the procedure set out in section 114 of the MFMA within 10 (ten) working days if a bid other than the one recommended in the normal course of implementing this policy is approved.

12.15 Term bids

- (1) Term bids are for the supply of goods and/or services that are of an *ad-hoc* or repetitive nature for a predetermined period and where awarded will entitle, but not oblige, the Municipality to purchase the specified goods or services at the bid price from the successful bidder for the duration of the term.
- (2) The Municipality may invite term bids.
- (3) The general acquisition procedure for term bids must comply with procedures contained in the acquisition management system for competitive bids.
- (4) Where applicable, bid documentation must state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with the Municipality.
- (5) The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.
- (6) Unless expressly stated in the bid documents, the award of the term bid shall not confer any exclusivity on the successful bidder nor prevent the Municipality from providing the same or similar services elsewhere.
- (7) Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.

- (8) Additional items included in a term bid by any bidder, which are clearly not an alternative to any of the items specified in the bid documents, will not be considered.
- (9) The process for considering term bids must be in terms of the evaluation and adjudication procedures for conventional competitive bids.
- (10) Subsequent to an award where different selections of items are required in terms of the same term bid, and where it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors, then and in that instance, a selection process must be carried out in respect of each application by the responsible agent. Individual orders must be placed based on the highest total evaluation points received, preapplication.
- (11) Where the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing, the bidder with the next highest valuation points (re-calculating the bid scores excluding the successful bidder) must be selected.

12.16 Procurement of banking services

- (1) A contract for the provision of banking services to the Municipality:
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 of the MFMA and regulation 30 of the SCMR; and

- (c) may not be for a period of more than 5 (five) years at a time.
- (2) The process for procuring a contract for banking services must commence at least 9(nine) months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 (sixty) days from the date on which the advertisement is advertised.
- (4) Bids must be restricted to banks registered as such in terms of the Banks Act, Act 94 of 1990.

12.17 Procurement of IT related goods and/or services

- (1) The Municipal Manager may request the SITA to assist the Municipality with the acquisition of IT related goods and/or services through a competitive bidding process.
- (2) The parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.
- (3) The Municipal Manager must notify SITA together with a motivation of the IT needs of the Municipality where:
 - (a) the transaction value of IT related goods and/or services required by the Municipality in any financial year will exceed R50 million (including VAT); or
 - (b) the transaction value of a contract to be procured by the Municipality whether for one or more years exceeds R50 million (including VAT).

- (4) If SITA comments on the submission and the Municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments of SITA must be submitted to the Council, the Provincial and National Treasury and the Auditor General prior to awarding the bid.

12.18 Procurement of goods and services under contracts secured by other organs of state

- (1) The Municipal Manager may procure goods and/or services for the Municipality under a contract secured by another organ of state, but only if:
 - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) the Municipality 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 relevant provider have consented to such procurement in writing.

12.19 Procurement of goods necessitating special safety arrangements

- (1) Goods, other than water, which necessitate special safety arrangements, may not be acquired or stored in bulk and more than immediate requirement, including gasses and fuel, unless sound justification therefore exists.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the Municipality and the Municipal Manager may then authorise the same, in writing.

12.20 Proudly SA campaign

The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly –suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic of South Africa

12.21 Appointment of consultants

- (1) The Municipal Manager may procure consulting services provided that National Treasury, Provincial Treasury and CIDB guidelines in respect of consulting services are considered when such procurements are made.
- (2) A contract for the provision of consultancy services to the Municipality must be procured through competitive bids where:
 - (a) the value of the contract exceeds R200 000.00 (including VAT); or
 - (b) the duration period of the contract exceeds 1 (one) year.
- (3) In addition to the requirements prescribed for competitive bids in this policy, bidders must furnish the Municipality with particulars of:
 - (a) all consultancy services provided to the Municipality in the last 5 (five) years; and
 - (b) any similar consultancy services provided to the Municipality in the last 5 (five) years.

- (4) Dividing the transaction values of required consultant appointments into lesser transaction values to circumvent the competitive bidding process is not permitted.
- (5) Where the estimated value of consultant fees is less than or equal to R200 000.00 (including VAT) and the duration of the appointment is less than 1 (one) year, the selection of a consultant to provide the required service must follow a written price quotation or a formal written price quotation procedure as provided for in this policy.
- (6) Responsible agents must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to submit quotes.
- (7) A price/preference points system, contained in the preferential procurement paragraph of this policy, must be applied to such quotations.
- (8) Where it is in the interests of the Municipality to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed irrespective of the estimated value of the consultant fees.
- (9) The Municipality must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant during the consultancy service is vested in the Municipality.
- (10) The Municipality may only consider single-source selection where it is in line with the exceptional cases provided in treasury guidelines the justification for

single-source selection is examined in the context of the overall interests of the Municipality and the project.

- (11) Single-source selection may be appropriate only if it presents a clear advantage over a competitive process:
 - (a) for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - (b) where rapid selection is essential;
 - (c) for very small appointments;
 - (d) when only one consultant is qualified or has experience of exceptional worth for the project.
- (12) Single source selection may also be justified in instances where the type of consultant services required are of a *sui generis* nature and based on a specific type of relationship of expertise, privilege, confidentiality, the utmost good faith and trust.
- (13) The reasons for single-source selection must be fully motivated in a report and approved by the bid adjudication committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000.00 (including VAT) or less, such award must be approved by the manager of the SCMU.
- (14) Single source shall be regarded as a deviation in terms of paragraph 12.22 below and must comply therewith.

12.21.1 Appointment of consultants

The municipality may only contract in consultants after a gap analysis has been confirmed that the municipality does not have the requisite skills or resources in its full time employ to perform the assignment in question. Based on a business case, the

appointment of consultants may only be approved by the accounting officer. All request to deviate from the instruction note maybe directed to: The Director-General at National treasury.

- the consultants may only be remunerated at the rates:

- (a) Determined in the “Guideline for fees”, issued by the South African Institute of Chartered Accountants (SAICA);
- (b) Set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA); OR
- (c) Prescribed by the body regulating the profession of the consultant.
- (d) A database of consultants shall be in place and be co-ordinated by the Supply Chain Management and Local Economic Development.
- (e) An appointed consultant shall be subjected to the 25% sub-contracting of emerging smaller consultant companies from Rustenburg Municipality’s database of emerging smaller consultants, within one to three years of existence.
- (f) The joint venture relationship in the consultants’ environment is explained in the following diagram (SMME development):
 - (i) in respect of professional consultant support, the following areas must be covered in support of emerging BBBEE consulting companies:

Professional area	Subcontracting Amount	%	Joint Venture Amount	%
Architect	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV
Structural Engineering	R1M to 10M	Maximum of 25%	R10M and above	Between 30% and 40% JV
Electrical Engineering	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV
Mechanical Engineering	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV

SI	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV
Civil Engineering	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV
Project Management	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV
Quantity Surveying	R1M to R10M	Maximum of 25%	R10M and above	Between 30% and 40% JV

12.21.2 PRIMARY REASONS FOR THE APPOINTMENT OF CONSULTANTS

- (1) Consultants are engaged principally for the following reasons:
- (a) to provide specialised services for limited periods without any obligation of permanent employment.
 - (b) to benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment.
 - (c) to provide independent advice on the most suitable approaches, methodologies and solutions of projects.

12.21.3 MINIMUM REQUIREMENTS WHEN APPOINTING CONSULTANTS

- (1) When appointing consultants, it is necessary to strive to satisfy the following minimum requirements:
- (a) meeting the highest standards of quality and efficiency.
 - (b) obtaining advice that is unbiased, that is, being delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflicts between the consultant's interests and those of government.

- (2) Ensuring the advice proposed, or assignment executed, meets the ethical principles of the consultancy professions.

12.21.4 Measures to address over reliance on consultants are as follows:

- a) Assessment of whether expertise required does not reside where in the City
- b) Assess the cost effectiveness of make or buy decision to determine whether the objectives of the institution are better achieved through consultants or permanent work
- c) Monitor and continually evaluate extend and use of consultant and ensure skills transfer where feasible.

12.21.5 APPLICABILITY OF PROCEDURES

- (1) The procedures outlined herein apply to all contracts for consulting services.
In procuring consulting services, the Accounting Officer or the delegate should satisfy himself/herself that:
 - (a) the procedures to be used will result in the selection of consultants who have the necessary professional qualifications.
 - (2) The selected consultant will carry out the assignment in accordance with the agreed schedule.
 - (3) The scope of the services is consistent with the needs of the project.

12.22 DEVIATION FORM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESS

- (1) The Municipal Manager may:
 - (a) dispense with the official procurement processes established by this policy and to procure any required goods and/or services through any convenient process, which may include direct negotiations, but only:

- (i) in an emergency;
 - (ii) if such goods and/or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) for the acquisition of animals for zoos and nature reserve;
 - (v) for the acquisition of special works of art or historical objects where specifications are difficult to compile; and
 - (vi) in any other exceptional case where it is impractical or impossible to follow the official procurement processes;
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The Municipal Manager must record the reasons for any deviations in terms of sub-paragraph (1)(a) and (1)(b) above and report them to the next meeting of the Council and must be included as a note to the annual financial statements. This sub-paragraph does not apply to the procurement of goods and services contemplated in paragraph 3(3) of this policy.
- (3) The conditions relating to the procurement of contracts relating to an emergency, as referred to in sub-paragraph (1)(a)(i) above should include the existence of one or more of the following:
- (a) the possibility of human injury or death;
 - (b) the prevalence of human suffering or deprivation of rights;
 - (c) the possibility of damage to property, or suffering and death of livestock and animals;

- (d) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
 - (e) the possibility of severe damage occurring to the natural environment;
 - (f) the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and
 - (g) the possibility that the security of the state could be compromised.
- (4) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, to allow time for the formal procurement process.
- (5) Where interim measures to alleviate the immediate situation are appropriate, these should be considered to give time to procure a permanent solution.
- (6) Emergency dispensation will not be granted in respect of circumstances other than those contemplated in sub-paragraph (3) above.
- (7) Where possible, in an emergency, 3 (three) quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipal Manager for approval. Where, however, time is of the essence, the emergency must be immediately addressed, and the process formalised in a report to the Municipal Manager as soon as possible thereafter.
- (8) The Municipal Manager may, upon recommendation of the bid adjudication committee, and only if worthy cause exists condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this policy, provided that:
- (a) this power may not be sub-delegated by the Municipal Manager;

- (b) such condonation will not preclude the taking of disciplinary steps against the responsible official; and
 - (c) the Municipal Manager record the reasons for the condonation in writing and report them to the next meeting of the Council and must be included as a note to the annual financial statements.
- (9) In the event where the Municipal Manager refuses to condone any expenditure referred to in sub-paragraph (7) above, such expenditure will be deemed to be irregular expenditure as defined in terms of the provisions of section 1 of the MFMA and must be treated as such by the Municipal Manager according to the relevant provisions provided therefore in the MFMA.

12.23 Unsolicited bids

- (1) The Municipality is not obliged to consider any unsolicited bids received outside a normal bidding process.
- (2) The Municipality may only consider an unsolicited bid if:
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the Municipality;
 - (c) the person or entity who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager.

- (3) Where the Municipal Manager decides to consider an unsolicited bid that complies with sub-paragraph (2) above, the Municipality must make its decision public in accordance with section 21A of the MSA, together with:
 - (a) its reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and
 - (c) an invitation to the public or other potential suppliers to submit their written comments within 30 (thirty) days of the notice.
- (4) Once the Municipality has received written comments pursuant to sub-paragraph (3) above, it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the relevant Provincial Treasury for comment.
- (5) The Municipality's adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Municipal Manager, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must consider:
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant Provincial Treasury.
- (8) Where any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Municipal Manager must submit to the Auditor General, the relevant Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.

- (9) Such submission must be made within 7 (seven) days after the decision on the award of the unsolicited bid is taken, but no contract committing the Municipality to the bid may be entered or signed within 30 (thirty) days of the submission.

13 LOGISTICS MANAGEMENT

Logistics management provides an effective logistic management system for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration, as set out below:

13.1 Setting of inventory levels

- (1) Levels must be determined.
- (2) Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
- (3) Open reservations must be considered during the replenishment run.

13.2 Placing of orders

- (1) Purchase orders must be created with reference to requisitions where the supply source is by means of a contract or verbal, written or formal quotations.

- (2) All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract to fix the Rand based price in the purchase order.
- (3) A proper record of all purchase orders must be kept by the manager of the SCMU and a copy thereof must be submitted to the Chief Financial Officer monthly.
- (4) Standing orders will be utilised in cases where a longer-term arrangement, such as after hour services and copier contracts, are required.
- (5) Purchase order approvals must be system based and will involve the procurement department only.
- (6) The assets (for asset creation) and the insurance section (for claims) must be informed after approval of any purchase orders.

13.3 Receiving and distribution of goods

- (1) Goods will be received on the Municipality's inventory system with specific reference to purchase orders.
- (2) No over-receipt of stock may be allowed. The purchase order must be kept open for under-receipts for the outstanding delivery quantity.
- (3) Goods must be issued from stock with reference to reservations.
- (4) Goods may be issued for consumption against internal orders, cost centres, projects and assets under construction.

13.4 Stores and warehouse management

- (1) The stores and warehousing function must be decentralised in different areas and will operate under the jurisdiction of the SCMU.
- (2) The SCMU must ensure proper financial and budgetary control, uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

13.5 Expediting orders

- (1) The purchasing expeditor is required to monitor and expedite outstanding purchase orders.
- (2) Reminder letters must be faxed automatically to vendors based on the reminder levels prior to the delivery due date which is set in the purchase order.

13.6 Transport management

The Municipality's fleet management system/policy must be adhered to always.

13.7 Vendor performance

- (1) The Municipality must have a system which is able to evaluate a vendor 'performance regarding certain pre-determined criteria.
- (2) The information will be available for contract negotiations and regular feedback to the vendors.

13.8 Contract management

- (1) The Municipal Manager must take all reasonable steps to ensure that contracts procured through this policy are properly implemented and enforced. To this end the Municipal Manager shall devise a system to ensure that he is given, monthly, all relevant details regarding the performance of each contract and details of defaults.
- (2) The performance of contractor under the contract procured through this policy must be monitored monthly.
- (3) All contracts must be administered by a designated official(s), having the necessary competencies to ensure effective management of the contract. The responsibility of managing a contract falls on the specific directorate to which such a contract relates together with and in co-operation with the SCMU.
- (4) The Municipal Manager must regularly report to the Council on the management of contracts and the performance of contractors.

13.9 Maintenance and contract administration

- (1) Contracts relating to the procurement of goods and/or services will be captured on the Municipality's contract administration system in the form of a price schedule.
- (2) Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts must be utilised in as far as possible.
- (3) The use of fixed price and fixed term contracts must be promoted, and expenditure will be driven towards such contracts as opposed to once-off purchases.
- (4) Consolidated procurement volumes must be utilised to drive down negotiated contract prices.
- (5) Contract price adjustments may only be processed in accordance with contract terms and conditions and must accord with the provisions of this policy.

13.10 Contract administration

- (1) Contract administration is the last stage of the procurement and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.
- (2) The effectiveness of contract administration depend on how thoroughly the earlier steps were completed as changes can be made far more readily early in the tendering cycle than after contract management has commenced.
- (3) Some of the key initial stages, which influence the effectiveness of contract administration and which the Municipality must properly implement, include:

- (a) defining the outputs by writing specifications which identify what the aims and outputs of a contract will be;
- (b) assessing risk;
- (c) researching the market place, including conducting pre-tender briefings;
- (d) formulating appropriate terms and conditions of contract;
- (e) identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;
- (f) actively creating competition, so the best possible suppliers bid for contracts; and
- (g) evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

13.11 Levels of contract administration

- (1) There are three levels of contract administration, being:
 - (a) the first operational level for standard contracts for goods and services. Day to day contract administration should become no more than the execution of performance monitoring, record keeping and price adjustment authorisation functions;
 - (b) the second or intermediate level is for more complex contracts for services. This type of contract requires a more active role for the contract manager in developing the relationship between the Municipality and the contractor and includes the functions set out as part of the first operational level;
 - (c) the third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts require more active

management of the business relationships between the supplier and the users, for example to manage outputs and not the process and include the functions set out in the first operational level and the second level, as referred to above.

13.12 Appointing a contract manager

- (1) A contract manager must be appointed by the Municipal Manager together with the director in charge of the project prior to the execution of the contract.
- (2) Where it is practical to do so, the contract manager must be involved at the earliest stage of the acquisition, which is the time of writing the specifications for the contract.
- (3) Contract administration arrangements must be identified and planned to include, delegations, reporting requirements and relationships and specific task responsibilities.
- (4) Departments are responsible for ensuring that contract managers:
 - (a) prepare the contract administration plan;
 - (b) monitor the performance of the contract;
 - (c) are appointed with appropriate responsibility and accountability;
 - (d) are adequately trained so that they can perform and exercise the responsibility; and
 - (e) act with due care and diligence and observe all accounting and legal requirements.

13.13 Duties and powers of a contract manager

- (1) The contract manager's duties and powers are governed by the conditions of contract and the applicable legal principles and statutes.
- (2) The contract manager must monitor the performance of the contract monthly and must report to the Municipal Manager on the performance of the contractor and the progress of the contract monthly.
- (3) The contract manager is also required to form opinions and make decisions, and in doing so is expected to be even-handed, prudent and to protect the interests of the Municipality.
- (4) The SCMU is responsible for notifying the contract manager 90 (ninety) days prior to the expiry of each contract to allow the contract manager sufficient time to decide whether to renew a contract or efficiently conclude a new contract.
- (5) The contract manager must ensure that the contractor duly performs according to the specifications of the contract in delivering goods and/or services on time, in the correct manner and/or quantity and to the required standard.
- (6) Regular meetings and site inspections must be held by the contract manager and the contractor to inspect the progress, deliverables, identify potential problems and/or possible remedial action during the contract period.

13.14 Contract guidelines

- (1) A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, must be documented.
- (2) The provisions of this paragraph are not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks or may not be necessary in some circumstances.

13.15 Delegating to contract administrator

- (1) Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.
- (2) The contract administrator will be required to perform duties related to processes for record keeping, authorising payment and collecting data on contractor performance.
- (3) The contract manager will however remain ultimately responsible and accountable for the performance of the contract.

13.16 Contract management process

- (1) The contract manager must ensure that the contractor fulfils its obligations and complies with its liabilities under the contract and must also ensure that contractors are treated fairly and honestly. Any non-compliance with the terms

of the contract and any non-delivery or anticipated non-delivery or breaches must be reported to the Municipal Manager in writing immediately.

- (2) Both parties adhering to the agreed terms will result in:
 - (a) value for money;
 - (b) timeliness;
 - (c) cost effectiveness; and
 - (d) proper contract performance.
- (3) In the event of non-compliance with any contract, the contractor must be placed in default in writing approved by the Municipality's legal advisors and a complete record of all written notices of non-compliance or nature of breach, as the case may be, must be kept on record.

13.17 Document retention

- (1) The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the records office.
- (2) Proper records regarding all aspects of the contract must accordingly be maintained. The contract manager shall be responsible for ensuring that the Municipality has, on the appropriate control sheet, copies of all procurement documents, bids, awards, notices and other written communications.

13.18 Guidelines on contract administration

- (1) The responsibilities of a contract manager may include the following:

- (a) establishing a contract management plan for the execution of the contract, especially for contracts pertaining to construction and land development projects;
- (b) reviewing the contract management process (including the contract management plan) on a regular basis;
- (c) providing a liaison between internal managers and users, and suppliers to pre-empt, identify and resolve issues as they arise;
- (d) monitoring the contractor's continuing performance against contract obligations;
- (e) providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;
- (f) determining if staged products should continue, and providing a procurement process for additional stages which meet the principle of obtaining value for money;
- (g) providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;
- (h) ensuring that insurance policy terms and conditions provide adequate protection for the Municipality and are maintained throughout the contract period;
- (i) ensuring all products provided are certified as meeting the specifications before the supplier is paid;
- (j) maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- (k) managing contract change procedures;
- (l) resolving disputes as they arise;
- (m) conducting post contract reviews;
- (n) pursuing remedies in the event of any breach of the contract;

- (o) reporting on performance/non-performance to the Municipal Manager monthly; and
- (p) the Municipal Manager must establish capacity and a system to ensure effective contract management.

14 DISPOSAL MANAGEMENT

- (1) The disposal management system of the Municipality provides an effective system for the transfer of ownership, disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the MFMA and the MATR in as far as capital assets are concerned.
- (2) Every disposal by the Municipality must comply with the relevant and applicable provisions of the MFMA and MATR in as far as capital assets are concerned.
- (3) The way assets may be disposed of by the Municipality includes, but is not limited to, the following:
 - (a) transferring an asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;
 - (b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (c) selling the asset; or
 - (d) destroying the asset.
- (4) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise and in accordance with the provisions of the Disposal Policy of the Municipality.

- (5) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality.
- (6) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 (thirty) days whether any of the local schools are interested in the equipment.
- (7) In the case of the disposal of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person or institution within or outside the Republic.
- (8) Immovable property must be let at market related rates except when the public interest or the plight of the poor demands otherwise.
- (9) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be reviewed annually.
- (10) Where assets are traded in for other assets, the highest possible trade-in price must be negotiated.
- (11) As far as possible, assets to be disposed of must be subjected to recycling. Disposal to landfill is not allowed unless there are no available recycling options.

- (12) Non-exempted capital assets must be transferred or permanently disposed of strictly in accordance with section 14 of the MFMA read with Chapter 2 of the MATR.
- (13) Exempted capital assets must be transferred strictly in accordance with Chapter 3 of the MATR.
- (14) The granting of rights by the Municipality to use, control or manage municipal capital assets, where section 14 of the MFMA do not apply, must be executed strictly in accordance with Chapter 4 of the MATR.

14.1 DISPOSAL MANAGEMENT FRAMEWORK

The authority to make the determinations and subsequently in principle approve the disposal of movable assets with a value of less than R 1 million in terms of section 14(2) (a) and (b) of the MFMA as set out in MAT regulation 5(1) (b) (i) and (ii) is delegated to the accounting officer in terms of paragraph 5(6) of the MAT regulations.

14.2 DISPOSAL CATEGORIES

A. Non-exempted capital assets

- (1) General determinations
 - (a) The fair market value of all non-exempted capital assets should be determined before the transfer or disposal thereof is considered
 - (b) Where assets are traded in for other assets, the highest possible trade-in price should be negotiated.
- (2) Approval in principle

- (a) A capital asset may only be transferred or otherwise be permanently disposed of after the determinations have been made and an approval has been granted in principle in terms of sub-section 14 (2) of the MFMA as set out in MAT Regulation 5(1)(b)(i) and(ii).
- (3) Advertising of proposed disposals in terms of the Local Government Ordinance 1939.

The proposed disposal of a non-exempted immovable capital asset should be advertised in case of objections in terms of section 79(18) of the Local Government Ordinance, 1939, if a public participation process is not required, as set out in sub-paragraph (4) and any objections should be submitted for consideration with the proposal in terms of MAT regulation 5(1) (b) (i) and (ii).

- (4) Public participation process
 - (a) Capital assets may only be transferred or otherwise disposed of after the Accounting Officer has conducted a public participation process to facilitate the determinations and approval has been granted in principle in terms of the section 14(2) of the MFMA, if
 - (i) the fair market value of the capital asset exceeds any of the following amounts:
 - (aa) R50 million; or
 - (bb) one percent of the total value of the capital assets of the Municipality as determined from the latest available audited annual financial statements of the Municipality; or
 - (ii) the combined value of any capital assets that the Municipality intends to transfer or dispose of in the relevant financial year exceeds five percent of the total value of its assets as determined in the latest audited financial
 - (b) Only the Municipal Council may authorize the public participation process referred to in sub-paragraph (a).

- (i) A request to the Municipal Council for authorization of a public participation process must be accompanied by an information statement stating
 - (aa) the valuation of the capital asset to be transferred or disposed of and the method of valuation used to determine that valuation;
 - (bb) the reasons for the proposal to transfer or dispose of the capital asset;
 - (cc) any expected benefits to the Municipality that may result from the transfer or disposal;
 - (dd) any expected proceeds to be received by the Municipality arising from the transfer or disposal; and
 - (ee) any expected gain or loss that will be realized or incurred by the Municipality arising from the disposal.
- (c) If the Municipal Council has authorized the accounting officer to conduct a public participation process in connection with any proposed transfer or disposal of a high-value capital asset or other asset referred to in MAT regulation 5(2), the accounting officer must at least 60 days before the meeting of the Council at which the determinations referred to in MAT regulation 5(1) (b) are to be considered,
 - (j) in accordance with section 21A of the Municipal Systems Act,
 - (aa) make public the proposal to transfer or dispose of the capital asset together with the information statement referred to in paragraph (b)(i); and
 - (bb) invite the local community and other interested persons to submit to the Municipality comments or representations in respect of the proposed transfer or disposal of the capital asset; and
 - (ii) Solicit the views and recommendations of the National Treasury and the provincial treasury on the matter.
- (5) Consideration of proposals and applications

- (a) The Municipal Council and the accounting officer in cases where the authority has been delegated, must, when considering any proposed transfer or disposal of a non-exempted capital asset in terms of MAT regulation 5(1)(b)(i) and (ii), take into account
 - (i) whether the capital asset may be required for the Municipality's own use at a later date;
 - (ii) the expected loss or gain that is expected to result from the proposed transfer or disposal;
 - (iii) the extent to which any compensation to be received in respect of the proposed transfer or disposal will result in a significant economic or financial cost or benefit to the Municipality;
 - (iv) the risks and rewards associated with the operation or control of the capital asset that is to be transferred or disposed of in relation to the Municipality's interests;
 - (v) the effect that the proposed transfer or disposal will have on the credit rating of the Municipality, its ability to raise long- term or short-term loans in the future and its financial position and cash flow;
 - (vi) any limitations or conditions attached to the capital asset or the transfer or disposal of the asset, and the consequences of any potential non-compliance with those conditions;
 - (vii) the estimated cost of the proposed transfer or disposal;
 - (viii) the transfer of any liabilities and reserve funds associated with the capital asset;
 - (ix) any comments or representations on the proposed transfer or disposal received from the local community and other interested persons;
 - (x) any written views and recommendations on the proposed transfer or disposal by the National Treasury and the relevant provincial treasury;
 - (xi) the interests of any affected organ. of state, the legal and economic interests and the interests of the local community; and

- (xii) compliance with the legislative regime applicable to the proposed transfer or disposal.
- (b) Approval in principle in terms of regulation 5(1)(b)(ii) that a non-exempted capital asset may be transferred or disposed of, may notwithstanding anything to the contrary in this policy, be given subject to any conditions, including conditions specifying
 - (i) the way in which the capital asset is to be sold or disposed of;
 - (ii) a floor price or minimum compensation for the capital asset;
 - (iii) whether the capital asset may be transferred or disposed of for less than its fair market value, in which case the criteria set out in MAT regulation 13(2) must first be considered;
 - (iv) a framework within which direct negotiations for the transfer or disposal of the capital asset must be conducted with another person, if the transfer or disposal is subject to direct negotiations
- (c) A decision by the municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal service may in terms of section 14 of the MFMA not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.

14.3 DISPOSAL MECHANISMS

- (1) The following disposal mechanisms should be used unless determined otherwise in terms of paragraph:
 - (a) Immovable assets
 - (i) the following immovable capital assets should be sold out of hand if only one unsolicited bid or application is received for the purchase of such asset:
 - (aa) Redundant portions of land and portions of land required for gardening purposes of less than 450 square meters in extent

- (bb) Church sites
- (cc) unimproved residential sites
- (ii) transfers and disposals of immovable assets other than in terms of sub- paragraph (a) (i);
- (iii) subsidiary assets attached to immovable assets that are unsafe and/or not economically viable to repair, may be destroyed after approval in principle has been obtained in terms of section 14(2) of the MFMA, subject thereto that
 - (aa) in case of a building, the necessary permit be obtained from the City Planning Division;
 - (bb) the assets may be destroyed with in-house capacity or a service may be procured through the procurement processes set out in this policy
- (b) Movable assets
 - (1) The following disposal methods should be used in respect of movable assets:
 - (aa) obsolete and redundant movable assets which cannot be disposed of in terms of the afore-going mechanisms, may be destroyed after approval in principle has been obtained in terms of section 14(2) of the MFMA- subject thereto that the assets may be destroyed with in-house capacity or a service procured through the procurement processes set out in this policy
 - (2) The disposal mechanisms set out in this paragraph do not apply to the transfer of a non-exempted capital asset if
 - (a) the Municipality
 - (i) reviews in terms of Chapter 8 of the Municipal Systems Act its service delivery mechanisms for the performance of a municipal service;
 - (ii) appoints a private sector party through a competitive bidding process as the service provider for the performance of that municipal service; and

- (iii) transfers the capital asset as an integral component of the performance of that municipal service to that service provider; or
- (b) the Municipality –
 - (i) appoints a private sector party or organ of state through a competitive bidding process as the service provider for the performance of a commercial service; and
 - (ii) transfers the capital asset as an integral component of the performance of that commercial service to that service provider.
- (3) The Municipality may negotiate directly with the selected service provider regarding the transfer of a capital asset
- (4) The Municipality may not commence with the process refer or negotiations unless approval in principle has been given in terms of MAT regulation 5(1)(b)(ii)) that the relevant capital asset may be transferred or disposed of.
- (5) In applying the process referred to in sub-paragraph (1) or conducting negotiations referred to in sub-regulation (3), the Municipality must consider the gain or loss that will
 - (a) result from the transfer or disposal of the relevant capital asset; and
 - (b) be recorded in the accounting records of the Municipality.
- (6) If the Municipality intends to transfer to a private sector party or organ of state a non-exempted capital asset following the selection through a competitive bidding process of a service provider for the performance of a municipal service or for the performance of a commercial service
 - (a) all assets needed or directly related to the performance of that service must be properly identified to distinguish those assets from the other assets of the Municipality;

- (b) all decisions referred to in MAT regulation 5(1)(b)(i) and (ii) relating to the transfer of the capital asset must be taken as an integral part of the broader decision-making process on the appointment of a service provider for the performance of that service; and
 - (c) all documents prepared for the purpose of those decisions, must be taken into account in any feasibility study conducted to determine the financial and other implications of appointing a service provider for the performance of that service.
- (7) Compensation for transfer of non-exempted municipal capital assets
- (a) The compensation payable to the Municipality or for the transfer of a non-exempted capital asset must, subject to sub-paragraphs (b) and (c), reflect fair market value.
 - (b) The minimum selling prices of immovable property must be determined as set out in the Supplementary Alienation Policy Framework attached as annexure to the Supply Chain Management Policy
 - (c) If the Municipality, on account of the public interest, in particular in relation to the plight of the poor, intends to transfer a non-exempted capital asset for less than its fair market value, the Municipality must, when considering the proposed transfer, take into account
 - (i) the interests of the State and the local community;
 - (ii) the strategic and economic interests of the Municipality, including the long-term effect of the decision on the Municipality;
 - (iii) the constitutional rights and legal interests of all affected parties; whether the interests of the parties to the transfer should carry more weight than the interest of the local community, and how the individual interest is weighed against the collective interest; and

- (iv) whether the local community would be better served if the capital asset is transferred at less than its fair market value, as opposed to a transfer of the asset at fair market value.
- (8) Discharge of loans on assets transferred or disposed of
 - (a) The proceeds received from the transfer or disposal of an asset must be used to discharge any loans against the asset as at its redemption date, or another date as may be negotiated with the lender
 - (b) Sub-paragraph (a) may not be read as preventing the Municipality from negotiating with the private sector party or organ of state to whom an asset is transferred, to take over, as part of the compensation payable to the Municipality, any loan the Municipality made against the asset.
- (9) Transfer agreements
 - (a) The Municipality may transfer assets approved for transfer to a private sector party or organ of state in terms of this policy, only by way of a written transfer agreement concluded between the Municipality and the receiving private sector party or organ of state.
 - (b) A transfer agreement must set out the terms and conditions of the transfer, including, at least –
 - (i) a sufficient description of the capital asset being transferred in order to identify the asset;
 - (ii) particulars of any subsidiary assets that are transferred with the capital asset;
 - (iii) particulars of any liabilities transferred with the asset;
 - (iv) the amount of compensation payable to the Municipality for the transfer of the asset or assets, and the terms and conditions of payment; and
 - (v) the effective date from which the risk and accountability for the asset or assets are transferred to the receiving party.

- (a) If a capital asset is transferred following the selection of a service provider for the performance of a municipal service referred to in MAT regulation 12(2)(a) or for the performance of a commercial service referred to in MAT regulation 12(2)(b), through a competitive bidding process, the transfer agreement
 - (i) must make provision for:
 - (aa) contract termination in the case of non- or underperformance;
 - (bb) dispute resolution mechanisms to (bb)settle disputes between the parties; and
 - (cc) a period review of the agreement once in every three years, in the case of an agreement for longer than three years; and may be incorporated into any service delivery agreement or procurement contract to be concluded with the service provider.
- (10) Access to transfer agreements
 - a) An agreement in terms of which the Municipality transfers a non--exempted capital asset in terms this policy:
 - (i) must be made available in its entirety to the council of the Municipality; and
 - (ii) may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
- (11) Non-exempted capital assets not transferred or disposed of in terms of this policy
 - (a) Housing schemes: This policy is not applicable to housing schemes and disposals for the plight of the poor.
 - (b) Public private partnerships: The transfer and disposal of non--exempted capital assets emanating from public private partnership agreements should be done in terms of section 14 of the MFMA read with the Municipal Public Partnership Regulations promulgated in terms of the said Act.

14.4 DISPOSAL OF REDUNDANT AND OBSOLETE GOODS, STOCK AND MATERIALS

- (1) Goods and stock do not meet the requirements of capital assets, as they cannot continuously and repeatedly be used for a period of more than one year in the production or supply of goods and services or for administrative purposes, or for rental to others and future economic and social benefit cannot be derived from them.
- (2) Redundant and obsolete stock must be reported to the CFO on a quarterly basis, including the values of the said stock and the reasons why it has become redundant or obsolete.
- (3) All determinations with regard to the advertising and selling or destruction of movable assets set out in this policy are mutatis mutandis applicable to the disposal of redundant and obsolete stock that has been written off by the CFO in terms of the relevant delegation.

15 RISK MANAGEMENT

- (1) The risk management system of the Municipality provides for an effective system to identify, consider and avoid potential risks in the Supply Chain Management System.
- (2) The management of risks pertaining to supply chain management must always comply with the criteria laid down in the Risk Management Policy of the Municipality.
- (3) Managing risk must be part of the philosophy, practices and business plans of the Municipality and should not be viewed and practiced as a

separate activity in isolation but must be integrated in the systems and functions of the Municipality. Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.

- (4) Risk management includes, but is not limited to:
 - (a) early and systematic identification of risks on a case-by-case basis, analysis and assessment of risk, including conflicts of interest and the development of plans for handling the same;
 - (b) the allocation and acceptance of the responsibility of risk to the party best suited and placed to manage such risk;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risk in a pro-active manner and the provision of adequate cover for residual risk;
 - (e) the assignment of relative risk to the contracting parties through clear and unambiguous contract documentation;
 - (f) ensuring that the costs incurred in managing risk are commensurate with the importance of the purchase and the risk to the operations of the Municipality; and
 - (g) taking appropriate professional advice from the appropriate officials or service providers to identify appropriate processes, procedures, outcomes, controls and other pertinent factors prior to undertaking activities with high levels of risk.
- (5) The risk management process must be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.

- (6) Appropriate risk management conditions must therefore be incorporated in contracts and monitored.

16 PERFORMANCE MANAGEMENT

- (1) The performance management system of the Municipality provides for an effective internal monitoring system to determine, based on a retrospective analysis, whether the authorised supply chain management processes are being, or were followed, and whether the desired objectives of this policy are being or were achieved.
- (2) The Municipal Manager must establish and implement the system contemplated in sub-paragraph (1) above.
- (3) Performance management must contain a monitoring process together with a process of retrospective analysis to determine whether:
- (a) value for money has been attained;
 - (b) proper processes have been followed;
 - (c) desired objectives have been achieved;
 - (d) there is an opportunity to improve the process and limit similar risk in future;
 - (e) suppliers have been assessed and the results of the assessment; and
 - (f) there has been deviation from procedures and, if so, what the reasons for such deviation are.
- (4) The performance management system must accordingly focus on, amongst other outcomes, the:

- (a) achievement of goals;
- (b) compliance to norms and standards and applicable legislation;
- (c) savings generated;
- (d) cost variances per item;
- (e) non-compliance with contractual conditions and requirements; and
- (f) cost efficiency of the procurement process itself.

CHAPTER 3

OTHER MATTERS

17. PROHIBITION ON AWARDS TO PERSONS WHOSE/WHICH TAX MATTERS ARE NOT IN ORDER

(1) The Municipality may not under any circumstances, irrespective of the procurement process followed, make an award above R15000.00 to any person or entity whose/which tax matters have not been declared to be in order by The South African Revenue Services.

(2) Before making an award to a person or entity, the Municipality must first check with the South African Revenue Services whether that person's or entities' tax matters are in order.

(3) If the South African Revenue Services does not respond within 7 (seven) days such person's or entities' tax matters may for purposes of sub-paragraph (1) above, be presumed to be in order.

18. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

The Municipality may not under any circumstances, irrespective of the procurement process followed, make an award to a person or entity:

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) who is an advisor or consultant contracted with Municipality.

19. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

The Municipal Manager must ensure that the notes to the annual financial statements of the Municipality disclose the particulars of any award of more than R2 000.00 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous 12 (twelve) months, including:

- (a) the name of that person;
- (b) the capacity in which that person is or was in the service of the state; and
- (c) the amount of the award.

20. CODE OF ETHICAL STANDARDS

- (1) In addition to this code of ethical standards, the codes of conduct for councillors and municipal staff members as set out in Schedule 1 and Schedule 2 to the MSA shall apply in the implementation of this policy.
- (2) The code of ethical standards for officials and all other role-players in the Supply Chain Management System which is established hereby seeks to promote:
 - (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair, honest and reasonable manner.
- (3) An official and/or other role-player involved in the implementation of this policy:
 - (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person of more than R350.00 in value;
 - (d) notwithstanding sub-paragraph(c) above, must declare to the Municipal Manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

- (e) must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the Municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must be scrupulous in his or her use of property belonging to the Municipality;
- (h) must assist the Municipal Manager in combating fraud, corruption, favouritism, unfair and irregular practices in the Supply Chain Management System; and
- (i) must report to the Municipal Manager any alleged irregular conduct in the Supply Chain Management System which that person may become aware of, including:
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of Regulation 47 of the SCMR; or
 - (iii) any alleged breach of the code of ethical standards.
- (4) All declarations in terms of sub-paragraph 20(3)(d) and 20(3)(e) above, must be recorded by the Municipal Manager in a register which the Municipal Manager must keep for this purpose.
- (5) All declarations by the Municipal Manager must be made to the Executive Mayor of the Municipality, who must ensure that such declarations are recorded in the register.
- (6) The Municipal Manager is responsible to ensure that appropriate steps are taken against any official or other role-player who commits a breach of any provision of this code of ethical standards, and Council must ensure that the

same measures are enforced where a breach has been committed by the Municipal Manager.

- (7) A breach of the code of ethical standards and any adopted code/s of conduct must be dealt with in accordance with Schedule 1 or Schedule 2 of the MSA, depending upon the circumstances, or the Disciplinary Regulations.
- (8) This Municipal Manager must, in his/her implementation of this policy, consider, adopt and apply the National Treasury's Code of Conduct for Supply Chain Management Practitioners (Practise Note SCM 4 of 2003). This code of conduct is binding on all officials and other role-players involved in the implementation of this policy and a copy thereof is available on the website www.treasury.gov.za/mfma located under "legislation".

20.1 Inducements, rewards, gifts and favours to the Municipality, its officials and/or other role-players

- (1) No person who is a provider or prospective provider of goods and/or services to the Municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality, may either directly or through a representative or intermediary promise, offer or grant:
 - (a) any inducement or reward to the Municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to any official of the Municipality or any other role-player involved in the implementation of this policy of the Municipality.
- (2) The Municipal Manager of the Municipality must promptly report any alleged contravention of sub-paragraph (1) above to the National Treasury for considering whether the offending person, and any representative or

intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (3) Sub-paragraph (1) above does not apply to gifts less than R350.00 in value.
- (4) The Municipal Manager must, on becoming aware that any reasonably suspected crime has been committed involving any procurement or disposal process or contract, report same to the SAPS, Council and the Provincial and National Treasuries. The Municipality may help the SAPS and the National Prosecuting Authorities to ensure the effective prosecution of wrongdoers.
- (5) The Municipality has a “zero tolerance” approach to criminal wrongdoing.

20.2 Sponsorships

The Municipal Manager of the Municipality must promptly disclose to the National Treasury and the relevant Provincial Treasury any sponsorship promised, offered or granted to the Municipality or any of its officials, whether directly or through a representative or intermediary, by any person who is:

- (a) a provider or prospective provider of goods and/or services to the Municipality;
or
- (b) a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality.

20.3 Objections and complaints

Persons aggrieved by decisions or actions taken by the Municipality in the implementation of this policy, may lodge within 14 (fourteen) days of the decision or action, a written objection or complaint against the decision or action.

20.4 Resolution of disputes, objections, complaints and queries

- (1) 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 awarded during its Supply Chain Management System; or
 - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed by the Municipal Manager in terms of sub-paragraph (1) above 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.

- (4) A dispute, objection, complaint or query may be referred to the relevant Provincial Treasury if:
 - (a) the dispute, objection, complaint or query is not resolved within 60 (sixty) days; or
 - (b) no response is received from the Municipality within 60 (sixty) days.
- (5) If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

20.5 Contracts providing for compensation based on turnover

Where a service provider acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes, and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate:

- (a) a cap on the compensation payable to the service provider; and
- (b) that such compensation must be performance based.

21 CESSION

The Municipal Manager or a delegated authority may allow cessions for the purpose of supplier/contractor development without putting Rustenburg Local Municipality at higher risk. Such conditions are subject to standard terms and conditions of contracts.

Cessions may include the following:

21.1 SUPPLIER-TO-SUPPLIER COMPANY BASED ON A VALID AGREEMENT

This is where company A decides to give between 25 and 45% of its work to a competent company based on certain changes (financial or capacity-wise) after the award. The company may decide to cede its portion of the work based on a written cession agreement. The company is also required to notify Rustenburg Local Municipality and explain the rationale behind such a move.

21.2 CESSION BASED ON MATERIAL SUPPLIES

Based on lack of finance, the company that was awarded the bid may cede the entire or part of its payment to suppliers who will claim 'from his/her payment certificate. In this case, Rustenburg Local Municipality may pay the suppliers directly or accept a formal agreement between the suppliers and contractors' payment conditions until the end of the contract.

21.3 CESSION BASED ON ACCESS TO FINANCE

This shall also include cases where a financial company pays the supplier/contractor in advance and later claims on the contractor's certificate. The bank may want a contractor to cede a certain portion of the contract to it as part of risk management. If that becomes the case, Rustenburg Local Municipality needs to be aware of such an arrangement and make its own analysis of the risks involved.

21.4 CESSION BASED ON INSURANCE

The same may apply to insurance companies before they award insurance affecting cessions based on access to finance.

21.5 CESSIONS BASED ON CAPACITY

A company may obtain extra capacity owing to lack of skills within the company and allow a skilled company to take over part or a larger part of its work not more than 40%, based on an agreed cession without promoting fronting.

22 SUPPLIER DEVELOPMENT PROGRAMME

- (1) The objective of this programme is to help increase the capacity and capability of all suppliers doing business with the Rustenburg Local Municipality. Capacitate the suppliers on sustainable procurement requirements/practices and also promote BEE-related entrepreneurial development.

The E-Procurement Database Categories businesses in the following manner:

- (a) women-owned businesses
 - (b) youth-owned businesses
 - (c) businesses owned by people with disability
 - (d) SMME-owned businesses.
 - (e) Military veterans- owned businesses
- (2) The mechanism in supporting this programme will include:
 - (a) tender accessibility - to reach all suppliers from all sectors of society by advertising through the E-Procurement, National Treasury e-tender portal and appropriate media.
 - (b) early payment - Council shall, upon receipt of all relevant documentation, pay small and micro-suppliers within 15 days whenever possible.
 - (c) financial and non-financial support - assist small and micro-suppliers to expand capacity through: tendering advice, business training, access to procurement opportunities and contract guarantees.

23. CONTRACT TERMINATION

- (1) A contract may be terminated for many reasons, including a breach of contract, a legal dispute, supplier reconsideration, change of a supplier, etc. A contract may only be terminated strictly in accordance with the termination clauses and reasons for termination as contained in the contract.
- (2) Before a contract is terminated, all risks need to be assessed in terms of the supply of the assets, goods or services, including legal risks, operational risks and financial risks. The City Legal Department must get involved so as to determine the risk to the City in terminating the contract, and how the City's legal risk position will change, as a result of giving effect to a termination. The termination process and associated conditions thereof are described in the contract conditions. The payment to be settled between the parties differs depending on whether the City terminates the contract, or the supplier terminates the contract. It is of utmost importance that the City Treasury Section is informed of any terminations in cases where there is FOREX involved with forward cover taken out. The contract file must be updated with all correspondence between the City and the Supplier for audit purposes and/or in the event of legal issues.

36. EMERGENCY PROCUREMENT

- (1) In emergency cases, an institution may dispense with the invitation of bids and may obtain the required goods, works or services by preferably making use of the database of prospective suppliers, or otherwise in any manner to the best interest of the Rustenburg Local Municipality.
- (2) Emergency cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. (However, a lack of proper planning should not be constituted as an emergency case.)
- (3) In the case of an emergency, where a deviation from the procurement processes is necessary, or in any other exceptional case where it is impractical or impossible to follow the official procurement processes; this policy will allow the Accounting Officer:

- (a) to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include negotiations; and
- (b) to ratify or rectify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (c) Appropriate authorisation must immediately be sought before work can commence.
- (d) Relevant approval documentation, including Adjudication Committee Report must be completed within 48 hours and submitted for FINAL ratification.
- (4) The Accounting Officer must record the reasons for any such deviation envisioned in sub-paragraph (1) above, and report them to the next meeting of the council or board of directors in the case of a municipal entity; as well as, include a note to the annual financial statements.
- (5) Sub-paragraph (2) does not apply to the procurement of goods and services contemplated in section 110(2) of the Act.

37 SOLE SOURCE

- (1) Where, as a result of proven in-depth market analysis, only one supplier in the market has been identified as being capable or available to supply the assets, goods or services in the existing circumstances, it may then become necessary to deviate from competitive tendering and follow the sole source process.
- (2) Alternatively, the Sole Source Justification Form can be used to identify a supplier as a general sole source for a specified category of assets, goods or services to the City for a maximum period of 1 year. In this case, the approval for the appointment of the supplier as a general sole source supplier for the identified category of supply /services needs to be obtained from the BAC, as this is considered to be a “blanket” approval with no specific value attached to the total number of orders / contracts to be placed with the supplier over the specified 1 year period. Suppliers falling into this category are generally OEM’s.

Once the “blanket” approval has been granted by the EAC to categorise the supplier as a general sole source for the category of supply /services, a Sole Source Justification Form will not be required for every order /contract placed with the supplier within the validity period of the “blanket approval”. A list of these suppliers with their approved Sole Source Justification Forms, and corresponding validity periods, will be stored on the Documentation Management System for accessibility to all Supply Chain Management Officials.

- (3) The management of sole suppliers is an important part of ensuring fairness, equitability, transparency, competitiveness and cost-effectiveness.
- (4) It is unacceptable for an End-User to refuse to use alternatives to a preferred supplier/brand where there is no valid technical or business case for such a decision.
- (5) Supply Chain Management Officials and End-Users are not permitted to negotiate without prior tendering in order to avoid competition, to discriminate against certain suppliers or groups of suppliers, or to give unwarranted protection to selected suppliers.
- (6) Sole Source Justification Forms will not be required in the case of negotiation with an Internal Supplier, or where the request for mandated negotiations is with two suppliers, which precludes execution of a competitive tender.
- (7) It is furthermore a material breach of this policy for any employee to engage in negotiations with a supplier without an approved mandate to negotiate, or to participate in any negotiation on their own.
- (8) There are a number of ways in which a supplier may be justified as a sole source:
 - (a) True Sole Source (Monopoly)

Assets, goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute exists such as reasons connected with intellectual property rights (e.g. patents or copyrights), or in the absence of competition.

Thorough market research must be done to ensure that a true monopoly exists both in the local, national and international markets. In the longer term, the City should consider alternatives or try to encourage development of competition.

(b) Installed Base [Original Equipment Manufacturer (OEM)]

A change of supplier would compel the City to obtain spare parts or additional assets, goods or services that are not compatible or interchangeable with existing assets, goods or services that were obtained from an original supplier. Spares can only be bought from the OEM, unless risk analysis shows that the use of parts from alternative manufacturers is feasible, and this has been confirmed in writing by the applicable technical experts.

The implications of installed base should be factored into procurement decisions, based on the initial Total Cost of Ownership analysis which has been confirmed in writing by the applicable technical experts.

(c) Incompatible Material

Changing the source or type of materials, such as chemicals, lubricants or fuels, would necessitate the complete exchange of material due to incompatibility of material from different sources.

The Supply Chain Management Official, together with the End-User, may conduct a market analysis and apply a Total Cost of Ownership model to establish whether the complete change of material, “flush- out” and opportunity costs will be beneficial over time.

(d) Established (On-site) Supplier

At times, additional works or services, not forming part of the initial contract, become necessary in order to complete the plant, system or structure. If separating the additional works / services from the original contract will be difficult for technical or economic reasons and/or the separation will cause significant cost or time constraints to the City, a valid sole source motivation exists.

The Supply Chain Management Official together with the End-User must do a formal cost/benefit analysis to establish whether it is more cost-effective to continue with the established supplier, or whether to request competitive tenders/ proposals. This must form part of the motivation for the use of the supplier as a sole source. If negotiation only with the established supplier is envisaged, the negotiations must be based on a best estimate of the cost of the works / services excluding site establishment costs and a properly motivated request for a mandate to negotiate must be presented to the EAC.

- (9) The following steps must be followed when a sole source supplier is identified:
- (a) The Head of Supply Chain Management, in developing the commercial strategy, arrives at the conclusion /deduction that a sole source supplier situation exists.
 - (b) The strategy indicating a sole source supplier situation must be compiled on the Commercial Strategy Approval template and approved by the Head of Supply Chain Management or delegated Official within Supply Chain Management and End User based on the strategy.
 - (c) Where the sole source is an OEM or a sole distributor of the OEM, who provides spare parts to the City, the BAC must determine whether to proceed directly to negotiations or whether to follow an enquiry process. It is not permissible to request a quotation /proposal from a sole source supplier without first presenting the mandate request to the EAC, as City employees (including Supply Chain Management Officials) are not permitted to engage with suppliers in negotiations without a formal mandate from an EAC.
 - (d) After approval of the commercial strategy, the Supply Chain Management Official together with the BEC, must complete a

Commercial Transaction Approval Form requesting a mandate to negotiate from the EAC. The approval of the commercial strategy and the request for a mandate to negotiate may be handled together by the EAC.

- (e) A formal supporting motivation for the use of the supplier as a sole source must be provided by the End-User and approved by his/her designated Official in their department, who is responsible for the technical and operational integrity of the assets, goods or services required. This motivation is set out within a Sole Source Justification Form which must be duly signed and validated by all required signatories and which must accompany the Commercial Transaction Approval Form for approval by the EAC.
- (f) Prior research into the prices needs to be conducted by the Supply Chain Management Official in order to determine a real and aspiration base for negotiations on price, and any other parameters which may become a negotiation objective, forming part of the mandate request.
- (g) The SCM Official and End-User, together with BSC may present the Commercial Transaction Approval Form, together with the signed Sole Source Justification Form to the EAC for approval.
- (h) Once the mandate is approved, the Supply Chain Management Official either proceeds directly with negotiations or prepares a RFQ /RFP, based on the approved mandate, and in consultation with the BSC, and then issues the enquiry to the sole supplier for a quote/proposal. The offer /quotation is requested and submitted in the same way as for an informal tender amounting up to R200,000, and processed in the same way as a formal tender if greater than R200,000. The Supply Chain Management Official then develops and plans their strategy for negotiation based on the Supplier's proposal / quotation.

- (i) In order to proceed with negotiations, the Supply Chain Management Official arranges a venue, invites the relevant supplier and the negotiation team as per the approved mandate, formulates an agenda and ensures that minutes of the negotiations are recorded in writing.
- (j) The lead negotiator, as assigned by the EAC granting the mandate, will lead the negotiations and ensure that all mandated parameters are discussed and agreed upon. After each session of negotiations, the supplier and the City sign off on the recorded minutes, as proof of what has been agreed upon and what remains outstanding for resolution.
- (k) Should negotiations not transpire as per the negotiation strategy or where negotiations result in failing to achieve the required mandate, the lead negotiator must seek advice from the assigned negotiation controller who must advise and direct the negotiation team toward resolution of the issues or toward an alternative negotiation strategy.
- (l) If the outcome of the negotiations is within the ambit of the approved mandate parameters, the Supply Chain Management Official submits feedback from the negotiations against the relevant section of the Commercial Transaction Approval Form to the EAC outlining the results of the negotiations against the mandate parameters.
- (m) If the outcome of negotiations is outside the mandated parameters, the Supply Chain Management Official in consultation with the negotiation team /BEC may request an approval of a negotiated outcome, a revised mandate or may request cancellation of the transaction from the EAC.
- (n) Where the BAC grants approval to proceed with contract finalisation, the Supply Chain Management Official in consultation with the BEC prepares the contract documents and arranges for the signing thereof.
- (o) The SCM Official ensures that all relevant documents are filed for audit purposes.

38 PILOT / INNOVATIVE PROJECTS

- (1) A bid for a pilot project is considered to be a bid that is received outside the normal bidding process.
- (2) The Rustenburg Local Municipality is not obliged to accept a bid received to initiate a pilot project.
- (3) If the Rustenburg Local Municipality decides to consider such a bid, it may do so only in accordance with a prescribed framework.
- (4) In the case of such, a pilot project being approved by the Accounting Officer and initiated on behalf of Rustenburg Local Municipality, the policy will only allow the pilot project to proceed, if the pilot project:
 - (a) offering the proposed product or service is a demonstrably or proven unique innovative concept for the Rustenburg Local Municipality;
 - (b) offering the proposed product or service will be exceptionally beneficial to Rustenburg Local Municipality;
 - (c) will be at no cost to the Rustenburg Local Municipality;
 - (d) there must be demonstrable benefits that accrue to the City
 - (e) has a sound and approved business case which has been reviewed by the EAC; and
- (f) has an end user(s) which has/have accepted and remain liable and responsible for the project management plan, roll-out and deployment.
- (5) The pilot project may not exceed a life-span of twelve (12) months and once this life-span has come to an end.
- (6) There would be no expectation that the City will automatically award to prospective supplier.

- (7) The project must be advertised on an open tender and follow all policy processes and procedures in doing so.
- (8) In instances where such project will be acquired the normal procurement process will be followed.

CHAPTER 4

COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

27. COMBATING OF ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

- (1) The terms of reference of this paragraph of this policy ensure compliance with Regulation 38 of the SCMR.
- (2) The Municipal Manager shall take all reasonable steps to prevent abuse of the Supply Chain Management System and to investigate any allegations of improper conduct against the concerned official, councillor, or other role player and when justified may:
 - (a) take, or ensure that appropriate steps are taken, against such official, councillor or other role player; and/or
 - (b) inform the Speaker of any allegations against any councillor involved in contraventions of the Supply Chain Management System; and/or
 - (c) report any alleged criminal conduct to the South African Police Service and/or other recognised state authority dealing with criminal investigations.
- (2) The steps referred to in sub-paragraph (2) above which the Municipal Manager may take include registering the affected person in the Municipality's Register of Tender and Contract Defaulters as well as:
 - (a) rejection or withdrawal of recommendations, or invalidation of decisions that were unlawfully or improperly made or influenced, including recommendations or decisions that were made or in any way influenced by:

- (i) councillors in contravention of item 5, 6 or 9 of the Code of Conduct for Councillors set out in Schedule 1 of the MSA; or
 - (ii) municipal staff members in contravention of item 4, 5 or 8 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 of the MSA;
 - (vii) the unlawful or improper conduct of a bidder or its representatives in competing for the contract;
- (b) rejection of the bid of an affected person if that person or any of its representatives (including partners, directors of members):
- (i) has failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges are in arrears for a period longer than 3 (three) months, as at the date of the submission of the bid;
 - (ii) has abused the Supply Chain Management System or has committed any improper conduct in relation to the Supply Chain Management System;
 - (iii) has been convicted of fraud or corruption during the 5 (five) year period immediately preceding the invitation of bid in question;
 - (iv) is listed:

- (aa) in the Register for Tender and or Contract Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act;
 - (bb) on the National Treasury's database as a person prohibited from doing business with the public sector or;
 - (cc) on the Municipality's Register of Tender and Contract Defaulters.
 - (v) who, during the last 5 (five) year period immediately preceding the invitation of the bid in question, failed to perform satisfactorily on a previous or current contract with the Municipality or other organ of state after written notice was given to the affected person that such person's performance was unsatisfactory; and/or
 - (vi) wilfully neglected and/or breached any government, municipal or other public-sector contract during the 5 (five) year period immediately preceding the invitation of the bid in question;
- (c) cancellation of a contract awarded to a person if that person:
- (i) committed a fraudulent act during the procurement process or the execution of the contract;
 - (ii) incited or participated in any corrupt or fraudulent act, by an official, councillor or other role-player during the procurement process or in the execution of that contract and the person who committed the corrupt or fraudulent act benefited there from.

27.1 Municipality's register of tender and contract defaulters

- (1) The Municipal Manager shall, subject to the procedures prescribed in this policy, be entitled to list a person or any of its representatives, where applicable, on the Municipality's Register of Tender and Contract Defaulters for a period not exceeding 5 (five) years in any of the circumstances listed in terms of this policy.
- (2) In the circumstances referred to in paragraph 21(3)(c)(i) and 21(3)(c)(ii) above, the person convicted of the relevant offence shall automatically also be listed on the Municipality's Register of Tender Contract Defaulters by the Municipal Manager.
- (3) In circumstances where a preference in terms of the PPPFA has been obtained on a fraudulent basis or any specific goals are not attained in the performance of the contract, the affected person may be listed on the Municipality's Register of Tender and Contract Defaulters for a period not exceeding 10 (ten) years.
- (4) Any listing in terms of paragraph 21(3) above shall, at the discretion of the Municipal Manager, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first mentioned person, and with which enterprise or person the first-mentioned person, is, or was, in the opinion of the Municipal Manager, actively associated.
- (5) A person who has been listed on the Municipality's Register of Tender and Contract Defaulters shall not be entitled to be awarded any contract by the Municipality for the duration of the period reflected on such register.

- (6) The Municipal Manager may, on worthy cause shown, remove a person from the Municipality's Register of Tender Contract Defaulters or reduce the period for which a person is prohibited from being awarded any contract by the Municipality. The reasons therefor shall be disclosed at the next opportunity to Council.

27.2 Automatic rejection of bid

The Municipal Manager may, after written verification with a person, automatically reject the bid of such a person if the person:

- (a) has been convicted of fraud or corruption during the past 5 (five) year period immediately preceding the invitation of the bid in question; and/or
- (b) is listed on the:
 - (i) Register for Tender Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act;
 - (ii) National Treasury's database as a person prohibited from doing business with the public sector; and/or
 - (iii) Municipality's Register of Tender and Contract Defaulters.

27.3 Adequate notice of manner of abuse of Supply Chain Management System

- (1) Once the Municipality has obtained *prima facie* evidence which it deems to be sufficient to initiate proceedings to take steps against the affected person as contemplated in paragraph 21(2) and 21(3) of this policy, the Municipality must give the affected person adequate written notice of the way it is alleged that the affected person abused the Supply Chain Management System

- (2) In order to constitute adequate notice of the way it is alleged that the affected person abused the Supply Chain Management System the notice must:
- (a) outline the grounds on which it is alleged that the affected person abused the Supply Chain Management System, with sufficient particulars to enable the affected person to respond to the allegations stipulated in the notice;
 - (b) refer to the applicable provisions of this policy in terms of which steps may be taken in the event where it is proved that the affected person abused the Supply Chain Management System;
 - (c) stipulate that the affected person must make written representations in response to such allegations of abuse of the Supply Chain Management System within 14(fourteen) calendar days of the date when the notice was served by a duly authorised person, acting on behalf of the Municipality, on the affected person;
 - (d) state that written submissions received after the due date for such submissions shall be disregarded, unless worthy cause is shown by way of a request for condonation for the late lodgement of the submissions and only when the condonation would not lead to unnecessary delays or otherwise prejudice the public interest;
 - (e) state the name, official title, postal address, street address, telephone number of the official of the Municipality to whom written submissions or any correspondence in terms of this policy must be sent.

27.4 Right of access to information

- (1) When furnishing the affected person with the notice referred to in paragraph 21.3 above, the Municipality shall furnish the affected person with access to all documents upon which the Municipality relies in respect of the allegations against the affected person.

- (2) The affected person shall be furnished by the Municipality with any such additional information as the affected person is entitled to in terms of PAIA on the same terms provided therein.
- (3) Where further information is requested, the Municipality may, in its sole discretion and upon a written request to do so, appropriately extend the period contemplated in paragraph 21.3(2)(c) so that the affected person is granted adequate time to consider any information provided pursuant to such request prior to the due date for such submissions.

27.5 Administration of hearings

- (1) The Municipal Manager shall appoint an independent and impartial person, who may be an official of the Municipality, to preside and adjudicate on allegations of abuse of the Supply Chain Management System against an affected person.
- (2) The Presiding Officer will adjudicate on the matter based on the written notice and written response and will inform all relevant parties accordingly should the matter, or part thereof be referred for an oral hearing.

27.6 Right to be heard

- (1) An affected person shall, in accordance with and subject to, the procedures in terms of this policy, be granted the right to be heard upon receiving notice as contemplated in terms of paragraph 21.3 above, and prior to the Municipal Manager taking any of the steps listed in paragraph 21(2) and 21(3) above.

27.7 Oral hearings

- (1) An affected person does not have an automatic right to an oral hearing but may apply to the presiding officer to have the matter set down for an oral hearing in instances where the presiding officer decided to entertain the matter without oral evidence being heard, or not to refer the matter for an oral hearing.
- (2) The presiding officer may grant such an opportunity in its discretion where the affected person has provided sufficient grounds to the presiding officer to refer the matter for an oral hearing
- (3) The presiding officer shall take any relevant factor into account when deciding whether or not to grant an application referred to in sub-paragraph (2) above by an affected person.
- (4) The presiding officer must ensure that notice of an oral hearing shall be served by a duly authorised person on all relevant parties within 7 (seven) days of receipt of their presentations referred to in paragraph 21.3(2)(c) above, and must:
 - (a) set the date of the oral hearing;
 - (b) inform the affected person of their right to legal representation; and
 - (c) include any other information which the presiding officer may deem relevant or necessary to be included in the notice.
- (5) The Municipality must be appropriately represented at these hearings by a natural person to lead the evidence against the affected person.

27.8 Procedure at oral hearing

- (1) The procedure to be followed at an oral hearing shall be determined by the presiding officer.
- (2) Witnesses must testify under oath.
- (3) Affected person(s) or their representatives shall have the right to present their case and to cross-examine any witnesses who testify at the hearing.
- (4) Witnesses called by the affected person(s) shall be subjected to cross-examination by any party who may have an interest at the hearing.

27.9 Onus of proof

The onus is on the Municipality to prove any allegations of abuse of the Supply Chain Management System which proof shall be on a balance of probabilities.

27.10 Right to legal representation

An affected person shall have a right to legal representation.

27.11 Right to request reasons

An affected person shall be informed of the right to request written reasons in terms of the provisions of section 5 of PAIA in respect of any decision taken by the Municipality in terms of this policy.

27.12 Criminal proceedings

The Municipal Manager shall institute criminal proceedings where there is *prima facie* proof of abuse of the Supply Chain Management System that constitutes a criminal offence of corruption or fraud.

27.13 Informing Provincial and National Treasury

The Municipal Manager must inform the Provincial and National Treasury of any actions taken in terms of this paragraph.

CHAPTER5

PREFERENTIAL PROCUREMENT

28. PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILISED

The Municipality must, prior to making an invitation for bidders:

- (1) properly plan for, and, as far as possible, accurately estimate the costs of the provision of goods and/or services for which an invitation for bids is to be made;
- (2) determine and stipulate the appropriate preference point system to be utilised in the evaluation and adjudication of the bids; and
- (3) determine whether the goods and/or services for which an invitation for bids is to be made have been designated for local production and content in terms of paragraph34 below.

29. EVALUATION OF BIDDERS ON FUNCTIONALITY

- (1) The Municipality must indicate in the invitation to submit a bid if such a bid will be evaluated for functionality.
- (2) The evaluation criteria for measuring functionality must be objective and clearly stated.
- (3) When evaluating bids on functionality, the:
 - (a) evaluation criteria for measuring functionality;
 - (b) weight of each criterion;
 - (c) applicable values; and

- (d) minimum qualifying score for functionality; may not be so-
 - low that it may jeopardize the quality of the required goods or services; or
 - high that it is unreasonably restrictive.

Points scored for functionality must be rounded off to the nearest two decimal places.

- (e) The above criteria must be clearly specified in the invitation to submit a bid.

- (4) No bid must be regarded as an acceptable bid if such bid fails to achieve the minimum qualifying score for functionality as indicated in the bid invitation.
- (5) Bids which have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point system prescribed in paragraphs 30 and 31 below.
- (6) Score sheets should be signed by the panel members and if necessary written motivation may be requested from the panel members where there are vast discrepancies in the values awarded to each for each criterion or the committee can do the functionality together to avoid discrepancies and enhance objectivity.

30. THE 80/20 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES UP TO A RAND VALUE OF R50 MILLION

- (1) (a) The following formula must be utilised to calculate the points for price in respect of bids (including price quotations) with a rand value equal to, or above R30 000.00 and up to a rand value of R50 million (all applicable taxes included):

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where:

P_s = Points scored for comparative price of bid or offer under consideration;

P_t = Comparative price of bid or offer under consideration; and

P_{\min} = Comparative price of lowest acceptable bid of offer.

- (b) The Municipality may apply the formula in sub-paragraph (1)(a) above for price quotations with a value less than R30 000.00, where and when appropriate.
- (2) Subject to sub-paragraph (3) below, points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following table:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- (3) A tenderer must submit proof of its B-BBEE status level of contributor.

- (4) A tenderer failing to submit proof of B-BBEE status level of contributor or

is a non-compliant contributor to B-BBEE may not be disqualified, but-

- (a) may only score points out of 80 for price; and
- (b) scores 0 points out of 20 for B-BBEE.

- (5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- (6) The points scored by a tenderer for B-BBEE in terms of sub-regulation (2) must be added to the points scored for price under sub regulation (1).
- (7) The points scored must be rounded off to the nearest two decimals places.
- (8) Subject to sub regulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.
- (9) (a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.
 - (b) The organs of state may-
 - (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
 - (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

- (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- (c) If a market-related price is not agreed as envisaged in paragraph (b)
 - (iii), the organ of state must cancel the tender.

31. THE 90/10 PREFERENCE POINT SYSTEM FOR THE ACQUISITION OF GOODS AND/OR SERVICES WITH A RAND VALUE ABOVE R50 MILLION

- (1) The following formula must be utilised to calculate the points for price in respect of bids with a rand value above R50 million (all applicable taxes included):

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where:

P_s = Points scored for comparative price of bid or offer under consideration;

P_t = Comparative price of bid or offer under consideration; and

P_{\min} = Comparative price of lowest acceptable bid of offer.

- (2) Subject to sub-paragraph (3) below, points must be awarded to a bidder for attaining their B-BBEE status level of contributor in accordance with the following table:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9

3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

- (3) A tenderer must submit proof of its B-BBEE status level of contributor.
- (4) A tenderer failing to submit proof of B-BBEE status level of contribution or is a non-compliant contributor to B-BBEE may not be disqualified, but-
 - (a) may only score points out of 90 for price; and
 - (b) scores 0 points out of 10 for B-BBEE.
- (5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- (6) The points scored by a tenderer for B-BBEE contribution in terms of sub regulation (2) must be added to the points scored for price under sub regulation (1).
- (7) The points scored must be rounded off to the nearest two decimal places.

- (8) Subject to sub regulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.
- (9) (a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.
 - (b) The organs of state may-
 - (i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
 - (ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
 - (iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
 - (c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

32. AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS

A contract may be awarded to a bidder who/which did not score the highest total number of points, but only if objective criteria in addition to those contemplated in section 2(1)(d) and section 2(1)(e) of the PPPFA justify the award to another tenderer.

33. CANCELLATION AND RE-INVITATION OF BIDS

- (1)
 - (a) When, in the application of the 80/20 preference point system as stipulated in the bid documents, **all** bids received exceed the estimated rand value of R1 million, the bid invitation must be cancelled.
 - (b) Where 1 (one) or more of the acceptable bids received are within the prescribed threshold of R1 million, all bids received must be evaluated on the 80/20 preference point system.
- (2)
 - (a) When, in the application of the 90/10 preference point system as stipulated in the bid documents, **all** bids received are equal to, or below R1 million, the bid must be cancelled.
 - (b) Where 1 (one) or more of the acceptable bids received are above the prescribed threshold of R1 million, all bids received must be evaluated on the 90/10 preference point system.
- (3) Where the Municipality cancels a bid invitation as contemplated in sub-paragraphs (1) and (2) above, the Municipality must re-invite bidders and must stipulate in the bid documents the correct preference point system to be applied.
- (4) The Municipality may, prior to the award of a bid, cancel such a bid when:
 - (a) due to changed circumstances, there is no longer a need for the requested goods and/or services;
 - (b) funds are no longer available to cover the total envisaged expenditure of the bid; or
 - (c) no acceptable bids are received.

- (5) The decision to cancel a bid in terms of sub-paragraph (4) above must be published in the Government Tender Bulletin or the media in which the original bid invitation was advertised.
- (6) An organ of state may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.
- (7) Negotiation with bidders who offered a none market related price:
 - If the price offered by a bidder scoring the highest point is not market related
 - the organ of state may not award the contract to the bidder, the organ of state may negotiate the price with the bidder or cancel the bid.

34. PROCESS TO APPOINT FROM A PANEL OF APPOINTED SERVICE PROVIDERS

- (1) The appointment of a panel of service-providers must be executed against a signed and approved specification which incorporates the sustainable procurements elements. An approval for contract award must be obtained from a relevant Delegated Approval Authority.
- (2) The appointment of a panel of service providers must follow a two-stage process. The first stage is conducted as a pre-qualification enquiry where suppliers are first screened and pre-qualified for general compliance to technical, SHE, quality, and Product Development requirements, including specific goals, if applicable. Price is generally not requested as part of the pre-qualification enquiry, unless a standard rate is prescribed for acceptance.
- (3) Once pre-qualified, suppliers on the panel may then compete on a per task order basis as part of the second stage, where they may quote based on the 80:20 or 90:10 preference point system as may be relevant to the task

order, or where capacity /capability /location, treated as objective criteria, may become factors in task order award.

- (4) The principle of rotation when sourcing form panels must be used to promote fairness and equitable work distribution.
- (5) The Head of Supply Chain Management is responsible for putting in place appropriate systems and controls to ensure that:
 - (i) The department to send their request to SCM for the panel appointment process to start;
 - (ii) Requests from departments to include specifications and be signed off by the Group Head
 - (iii) work / task orders to be distributed fairly and equitably among the panel of suppliers;
 - (iv) all RFQs relating to task orders must be formally received and
 - (v) task orders are placed against contracts with sufficient funds and time available for the completion of the supply / services;
 - (vi) Price and BBBEE level of contribution to be evaluated and scored accordingly before the award is made,
 - (vii) Approved task orders are supported by an appointment letter from the accounting officer confirming the order / commitment; and
 - (viii) Procurement targets and objectives to be being monitored and tracked
- (6) All of the above controls must be dealt with upfront as part of the approved strategy and executed during the contract management phase.
- (7) Where FIXED RATES are applicable as in the case of framework contracts, direct appointment will be made without requesting quotations but strict compliance to ROTATION PRINCIPLE must be adhered to.
- (8) An approval report will be signed by the Head of Supply Chain Management, relevant Strategic Executive Director and relevant Cluster Deputy City Manager.
- (9) A letter of appointment will be forwarded to the Accounting Officer or his/her nominee as per delegation for signature.

- (10) Supply Chain Management will issue the appointment letter to the successful panellist and hand over the process to the department.
- (11) Reports on the efficacy of the panel are to be compiled and submitted to Accounting Officer.
- (12) If the appointment of a service provider from the panel is in year two and the project duration is five years, MFMA section 33 will have to be complied with.
- (13) With reference to the opinion on the use of panel received from National Treasury on 27 March 2017, the following guidelines is to be implemented with immediate effect
- (14) An approved panel/list of service providers established through a competitive bidding process will be used for service that are routine or of simple nature where the scope and content of work to be done can be described, and for a period of not more than three years. This includes consulting services.
- (15) All panels in the City are subject to annual review by contract management.
- (16) The period of a framework agreement that is repetitive nature for services that the City has an obligation to provide on an ongoing basis for the duration of the resulting contract(s), cannot extent beyond the 3 years period covered in the annual budget for the financial year in which the contract will commence, unless all related legislative process are complied with.

35. LOCAL PRODUCTION AND CONTENT

- (1) The Municipality must, in the case of designated sectors, where local production and content is of critical importance in the award of bids, advertise such bids with a specific bid condition that only locally produced goods and/or services or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.

- (2) The instructions, circulars and guidelines issued by the National Treasury with specific reporting mechanisms to ensure compliance with sub-paragraph (1) above, must be considered by the Municipality when applying this paragraph.
- (3) Where there is no designated sector, the Municipality may include, as a specific bid condition, that only locally produced goods and/or services or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered, provided that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department Trade and Industry.
- (4) Every bid issued in terms of this paragraph must be measurable and audited.
- (5) Where necessary, for bids referred to in sub-paragraphs (1) and (3) above, a two-stage bidding process may be followed, where the first stage involves functionality and minimum threshold for local production and content and the second stage price and B-BBEE with the possibility of price negotiations only with the short-listed bidder(s).
- (6) Evaluation of bids based on a stipulated minimum threshold for local production and content.
- (7) Bids that were invited based on local production and content should be evaluated by following a two-stage bidding process.

7.1 STAGE 1

- a) Bids must be evaluated in terms of the evaluation criteria stipulated in the bid documents. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not allowed, as this may jeopardise the fairness of the process.

b) A bid will be disqualified if the bidder fails to achieve the stipulated minimum threshold for local production and content or if the declaration certificate for local content (MBD 6.2) is not submitted as part of the bid documentation.

i. Since 16 July 2012, the Minister of Finance has approved the issuance of directive together with the Municipal Bidding Documents (MBD 6.2) "Declaration of Certificate for Local Production and Content for Designated Sectors" for the following sectors that have been designated:

- Textiles, clothing, leather and footwear
- Buses (bus body)
- Steel power pylons
- Canned/processed vegetables
- Rail Rolling Stock
- Set top boxes
- Furniture
- Electrical and telecom cable products

All queries in this regard maybe directed to the National Treasury, tell (012) 315 5339.

ii. For bids in respect of local content, only locally produced or locally manufactured textiles, clothing, leather and footwear from local raw materials or inputs will be considered.

iii. If the raw material or input to be used for a specific item is not available locally, bidders should obtain written authorisation from the DTI, should there be a need to import such raw materials or input.

iv. A copy of an authorisation letter must be submitted together with the bid document at the closing date and time of the bid. For further information, bidders may contact the clothing, textile and leather unit within DTI at telephone 012 394 3717/1390

- v. The accounting officer or delegated must stipulate in the bid invitation the exchange rate published by the South African Reserve Bank at 12:00 on the date of advertising of the bid.
- vi. Only SABS approved technical specification number SATS 1286:2011 must be used to calculate the local content.

36. B-BBEE STATUS LEVEL CERTIFICATE

- (1) Bidders with an annual total revenue of R5 million or less qualifies as exempted micro enterprises in terms of the B-BBEE and must submit a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, Act 69 of 1984) or an accredited verification agency.
- (2) Bidders other than exempted micro enterprises must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating.
- (3) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.
- (4) The B-BBEE status level attained by the bidder must be utilised to determine the number of points allocated in terms of paragraphs 24(2) and 25(2) above.

30. GENERAL CONDITIONS

- (1) Only bidders who/which have completed and signed the declaration part of the bid documentation may be considered for such bid.
- (2) The Municipality must, when calculating comparative prices, consider any discounts which have been offered unconditionally as reflected in the bid.
- (3) A discount which has been offered conditionally must, despite not being considered for evaluation purposes, be implemented when payment is provided.
- (4) Points scored must be rounded off to the nearest 2 (two) decimal places.
- (5) In the event that 2 (two) or more bids have scored equal total points, the successful bid must be the one scoring the highest number of preference points for B-BBEE:
 - (a) When, however, functionality is part of the evaluation process and 2 (two) or more bids have scored equal points including equal preference points for B-BBEE, the successful bidder must be the one scoring the highest score for functionality.
 - (b) Where 2 (two) or more bids are equal in all respects, the award will be decided by the drawing of lots.
- (6) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as a legal entity, provided that such entity submits its B-BBEE status level certificate.

(7) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as an unincorporated entity, provided such entity submit its consolidated B-BBEE scorecard as if the entity is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid.

(8) Subcontracting as condition of tender

(1) If feasible to subcontract for a contract above R30 million, the Municipality must apply subcontracting to advance designated groups.

(2) If the Municipality applies subcontracting as contemplated in sub regulation (1), the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

- (a) an EME or QSE;
- (b) an EME or QSE which is at least 51% owned by black people;
- (c) an EME or QSE which is at least 51% owned by black people who are youth;
- (d) an EME or QSE which is at least 51% owned by black people who are women;
- (e) an EME or QSE which is at least 51% owned by black people with disabilities;
- (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
- (g) a cooperative which is at least 51% owned by black people;
- (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
- (i) more than one of the categories referred to in paragraphs (a) to (h).

(3) The organ of state must make available the list of all suppliers registered on a database approved by the

National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub regulation (2) from which the tenderer must select a supplier.

(9) Subcontracting after award of tender

- (1) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the organ of state.
- (2) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- (4) A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract

38. DECLARATIONS

- (1) A bid must, in the manner stipulated in the bid document, compel a bidder to declare that:
 - (a) the information provided is true and correct;
 - (b) the signatory to the bid is duly authorised; and
 - (c) documentary proof regarding any bid issue must, when required, be submitted to the satisfaction of the Municipality.

39. REMEDIES

Upon detecting that a tenderer submitted false information regarding its B-BBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the organ of state must-

- (a) inform the tenderer accordingly;
- (b) give the tenderer an opportunity to make representations within 14 days as to why-
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
 - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalized up to 10 percent of the value of the contract; and
 - (iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
- (c) if it concludes, after considering the representations referred to in sub regulation
 - (1) that-
 - (i) such false information was submitted by the tenderer-
 - (aa) disqualify the tenderer or terminate the contract in whole or in part; and

- (bb) if applicable, claim damages from the tenderer; or
 - (ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalize the tenderer up to 10 percent of the value of the contract.
- (2) (a) The Municipality must-
 - (i) inform the National Treasury, in writing, of any actions taken in terms of sub regulation (1);
 - (ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and
 - (iii) submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.
- (c) The National Treasury may request an organ of state to submit further information pertaining to sub regulation (1) within a specified period.
- (3) The National Treasury must-
 - (a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and
 - (b) maintain and publish on its official website a list of restricted suppliers.

40 TREASURY INSTRUCTION NOTE ON COST CONTAINMENT

1. It is mandatory for accounting officers of departments and constitutional institutions and accounting authorities of public entities listed Schedules 2 and 3 to the PFMA to implement the cost containment measures.
2. - Hotel accommodation and related costs in respect of consultants may not exceed the amount of R1300 a night; air travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa.
3. - Expenses related to Catering and events the municipality may not incur catering expenses for internal meeting, i.e. for meetings attended only by persons in its employ, unless approved by the accounting officer.
4. - the accounting officer must ensure that team building exercises and social functions, including year-end functions, are not financed from the municipal budget or by any suppliers or sponsors.
5. - Corporate branded items availed to employees must be recovered at full cost.
6. - Meetings and planning sessions must, as far as practically possible, be held in-house. In instances where such sessions cannot be held in-house, alternate facilities at other government institutions must be sought, unless approved by the accounting officer.

CHAPTER 6

GENERAL PROVISIONS/ADDITIONAL INFORMATION

41.COMPLIANCE

(1) Every contract entered by the Municipality shall be entered pursuant to or in connection with the Municipality's functions and shall comply with Acts and regulations

42 SCM OBJECTIVES

The objectives of Supply Chain Management (SCM) are to:

- give effect to the provisions of the Constitution-section 217, 1996;
 - give effect to the provisions of the MFMA, 2003;
 - transform outdated procurement and provisioning practises into an integrated SCM function;
 - ensure that SCM forms an integral part of the financial management system of the Municipality;
 - make significant improvement to financial management in the broader public sector;
 - introduce a system for the appointment of consultants;
-
- create a mutual understanding and interpretation of government's preferential procurement policy objectives;
 - promote consistency in respect of Supply Chain Management policy and other related policy initiatives in Government; align with global trends and ensure that South Africa adheres to international best practices

42. AVAILABILITY OF THIS POLICY

- (1) A copy of this policy shall be included in the Municipality's Municipal Code as required by the provisions of section 15 of the MSA.
- (2) The Municipality shall take all required legal steps to inform consumers, debtors, owners and occupiers of the content of this policy.
- (3) A copy of this policy shall be available for inspection at the offices of the Municipality at all reasonable times.
- (4) A copy of this policy may be obtained from the Municipality against payment of an amount as determined by the Council.

43. IMPLEMENTATION AND REVIEW OF THIS POLICY

- (1) This policy shall be implemented once approved by Council as part of the budgetary policies of the Municipality, as referred to in the provisions of regulation 7 of the Municipal Budget & Reporting Regulations, 2008, and section 17(3)(e), section 21(1)(b)(ii) (bb), section 22(a)(i) and section 24(2)(c)(v) of the MFMA.
- (2) In terms of the provisions 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.

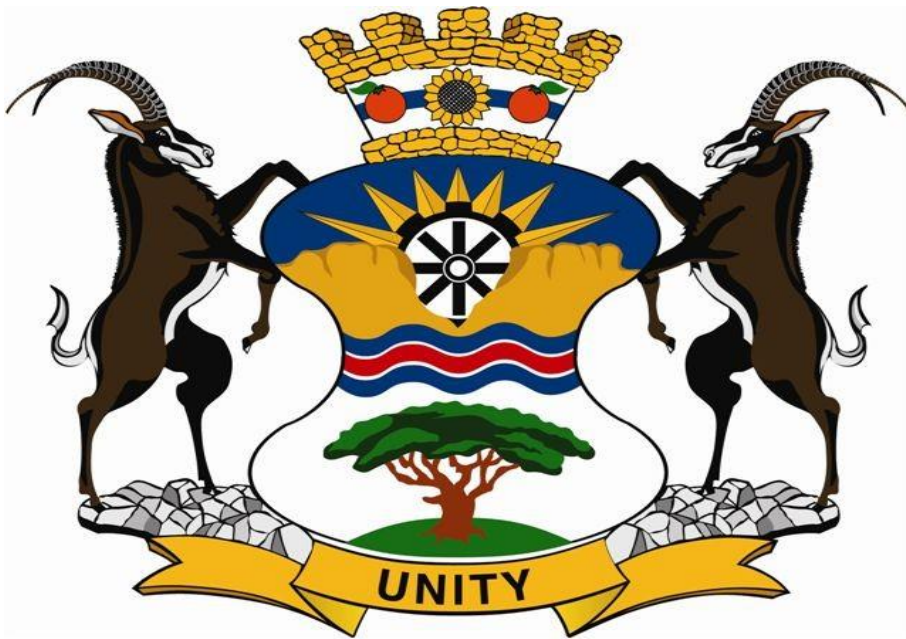
44. SHORT TITLE

This policy shall be called the Supply Chain Management Policy of the Rustenburg Local Municipality.

The 2017 PPPFA have been included verbatim thus reference to sub-regulations, readers should read the policy in juxtaposition with the PPPFA 2017 regulations for clear understanding.

The policy was reviewed and approved at a Council sitting on the _____
Item number _____

RUSTENBURG LOCAL MUNICIPALITY



Tariff Policy

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RLM TARIFF POLICY

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CHAPTER 1: PREAMBLE, PURPOSE, PROBLEM STATEMENT, DEFINITIONS AND POLICY RULES AND PROVISIONS

1. Preamble

- 1) One of the primary functions of a Municipality is to provide services to the local community within its jurisdiction. The funding of these services is made possible by the levying of property taxes and charging of fees for services, imposing surcharges on fees, and, to the extent authorised by national legislation, other taxes, levies and duties.
- 2) Section 4(2) (d) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000 as amended) (ACT) prescribes that a Municipality has the duty to strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner. Accordingly, Tariffs may be set in a manner so as to recover the full cost of the service being provided or to recover part of the costs or bring about a surplus that can be utilized to subsidise non-economic services.
- 3) In terms of the provisions of the Constitution of the Republic of South Africa, 1996 (hereinafter referred to as “the Constitution”), and section 75A(1) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereinafter referred to as “the Systems Act”), the Rustenburg Local Municipality (hereinafter referred to as “the Municipality”), is entitled to levy and recover fees, charges or tariffs in respect of any function or service of the Municipality;
- 4) In terms of the provisions of section 74(1) of the Systems Act, and the provisions of section 62(1)(f)(i) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”), the Municipality must adopt and implement a Tariff Policy on the levying of fees, charges or tariffs on municipal services provided by the Municipality itself or by way of service delivery agreements;
- 5) This Tariff Policy of the Municipality reflects the principles referred to in terms of the provisions of section 74(2) of the Systems Act and addresses the matters referred to in terms of the provisions of section 74(3) of the same Act, as well

as a schedule containing the municipal tariffs of the Municipality pertaining to the municipal services as set out in the tariff policy;

- 6) **The** municipal tariffs, as set out in the schedule of municipal tariffs annexed to this tariff policy, must undergo annual revision and must be tabled together with the Multi-Year Annual Tabled Budget to the Council of the Municipality for consideration and approval thereof, subject to public participation and comments obtained, annually before the 31st of March of each year in terms of the provisions of section 17(3)(a)(ii) read with the provisions of section 22 of the MFMA;
- 7) **The** comments received from members of the public in terms of the public participation process in respect of the contents of the municipal tariffs have to be considered by the Municipality in terms of the provisions of section 23(1) of the MFMA, for the possible amendment thereof, annually in dealing with the annual financial budget before the 31st of May each year;
- 8) **The** adopted municipal tariffs apply to the Multi-Year Annual Budget in respect of a specific year during which the income is based on such adopted municipal tariffs, read with the general tariff principles contained in the tariff policy;
- 9) Should any of the municipal tariffs or general principles contained in the schedule setting out the municipal tariffs or tariff policy be changed by a resolution of the Council of the Municipality, an Adjustment Budget must be prepared to reflect the consequent effect of such resolution;

2. Aim and Purpose

The aim and purpose of this tariff Policy is to ensure that:

- 2.1 All Tariffs of the Municipality comply with legislation prevailing at the time of implementation.
- 2.2 All Tariffs approved by the Municipal Council, to fund Municipal services, are consistent with this Policy.
- 2.3 Municipal services are financially sustainable, affordable and equitable.
- 2.4 The needs of the indigent are taken into account in line with national government policy, taking into consideration, the affordability constraints of the Municipality.

- 2.5 There is consistency in how the Tariffs are determined and applied throughout the Municipality.
- 2.6 All Tariffs of the Municipality are determined in line with the principles as outlined in section 74(2) of the ACT. (See 5.10 below).
- 2.7 Surcharges on fees payable for municipal services are levied in terms of section 75A of the ACT and in accordance with Chapter 3 of the Municipal Fiscal Powers and Functions Act, Act 12 of 2007.
- 2.8 Where municipal services are provided through a service delivery agreement in terms of section 81(3) of the ACT, the Municipality remains responsible for controlling the setting and adjustment of Tariffs by the service provider for the municipal service in question.

3. Problem Statement

3.1 Harmonization and Standardization of setting and determination of Municipality Tariff Policy.

During the annual Budget process the Rustenburg Municipal Council approves Tariffs for services to be rendered or provided to the local community by each relevant Municipal Department or Unit, so that the cost of such services can be recovered from the customers to whom the services are rendered or provided. Currently, no adopted framework or policy exists which guides the basis upon which all fees, charges and tariffs are set.

This policy is therefore required to provide greater harmonization and effective control and accountability for the setting of tariffs within the Municipality in line with National Treasury's Methodology Costing for Local Government*¹

3.2 Ensuring Financial Sustainability of Service Delivery

The Constitution and the ACT require that the Municipality must ensure that the services that it provides, are sustainable.

In terms of section 73(1) of the ACT, the Municipality must give effect to the provisions of the Constitution and give priority to the basic needs of the local community, promote the development of the local community and ensure that all members of the local community, have access to at least minimum level of basic municipal services.

Section 73 (2) of the ACT, further provides that the municipal services must be equitable and accessible, and be provided in a manner that is conducive to the prudent, economical, efficient and effective use of available resources and improvement of standards of quality over time, be financially and environmentally sustainable and be regularly reviewed with a view to upgrading, extension and improvement.

The Tariffs 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 maintenance, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include and cover all the

relevant cost elements, it also means that charges to be levied must be affordable, collected and recovered.

3.3 Redistribution / Cross Subsidisation

RLM has a wide range of customers, thus finding a proper funding model to arrive at appropriate Tariffs and cross-subsidisation mechanisms to meet the needs of the various customer groupings, is paramount.

The budget of the Municipality is important in ensuring the distribution of services in all communities. Monies collected from property rates are used to subsidise those services where the cost of the Tariff levied, is insufficient to cover the cost of the service. The Municipality may take into account trading surpluses realised to facilitate the cross subsidisation of services.

The Municipality faces a challenge in maintaining a balance between investments made in a productive capacity versus investment made in social services.

In order to effectively implement redistribution and cross subsidisation, the Municipality should endeavour to be transparent.

There is also an inherent cross subsidy between residential users of services and non-residential users of services. This subsidy is derived by applying certain ratios between residential users and non-residential users.

3.4 Imposition of Tariffs

Section 160(2)(c) of the Constitution states that the Municipal Council may not delegate the imposition of rates and other taxes, levies and duties.

Section 59 of the **ACT** further prohibits the Municipal Council from delegating its power to set Tariffs.

A challenge for the Municipality is to control the imposition of Tariffs by external service providers, where the entity provides services (through a service delivery agreement with a Municipality) which fall within the constitutional competence of the Municipality e.g. waste disposal, cemeteries, electricity or water. Tariffs as charged, may not have been approved by the Municipality and may be prejudicial to the local communities or customers.

The municipality will impose tariffs per stand, however, where there are multiple units within a stand, tariffs will be charged according to the number of units in that stand.

For residential purpose, where a meter serves more than one unit, the tariff will be applied as follows:

Applicable tariff charged per block times the number of units served by the bulk meter from 01 July 2018. The municipality will divide the actual consumption with the number of units that are served by the meter.

3.5 The “Consumer must pay principle” and Provision for the Indigent

The Municipality is responsible for ensuring access to the minimum level of basic services to the local communities within its municipal area. This is in line with Section 5(2) of the **ACT** which imposes a duty on members of the local community, ‘where applicable, and subject to section 97(1)(c) of the ACT, to pay promptly service fees, surcharges on fees, rates on property and other taxes, levies and duties imposed by the municipality.’ Having regard to this, it is critical for the Municipality to then set up Tariff structures which are realistic, cost reflective and also accommodate the Indigent as defined in this Policy.

4. Definitions

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words and expressions to which a meaning has been assigned in terms of the provisions of the Systems Act, the MFMA, the Credit Control & Debt Collection Policy and By-law, as well as the Indigent Policy of the Municipality, will have a corresponding meaning assigned thereto in terms of such policies or by-laws. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“ACT”	means the Local Government Municipal Systems Act, Act 32 of 2000 as amended;
1.2	“Accounting Officer”	Means the Municipal Manager appointed in terms of the provisions of section 60 of the MFMA.
1.3	“annual budget”	Means the budget approved by the Council of the Municipality for any particular financial year, and shall include any adjustments to such a budget.
1.4	“annually”	Means once every financial year.
“B”		
1.5	“basic municipal service”	Means a municipal service necessary to ensure an acceptable and reasonable quality of life, which service, if not provided, would endanger public health or safety or the environment.

1.6	“bulk electricity customer”	<p><u>Means a bulk customer whose electricity demand exceeds or has previously exceeded is likely to previously exceed 100kVA or 150A three phase LV, or any MV or HV connections.</u></p> <p><u>100 kVA per month for an uninterrupted period of twelve months.</u></p> <p><u>Means a bulk customer whose electricity demand exceeds or is likely to exceed 55 kVA per month for an uninterrupted period of twelve months.</u></p>	<p>Formatted: Font: Bold, Not Highlight</p> <p>Formatted: Font: Bold</p>
1.6 A	<p><u>Bulk connection</u> –</p> <p><u>(Sometimes also referred to as Industrial Tariffs on Nersa approval Letters)</u></p>	<ul style="list-style-type: none"> <u>A Bulk connection larger than 150A three phase LV, or any MV or HV connections</u> <u>Generally, a three-phase supply, where current transformers are required to reduce the measured current to a level that the meter can accept.</u> <p><u>Connections smaller than 150A three phase with current transformers should be converted to a normal business tariff type connection and the meter replaced with a 150 A direct driven meter.</u></p>	<p>Formatted: Font: Bold, Not Highlight</p> <p>Formatted: Not Highlight</p> <p>Formatted: Font: Bold, Not Highlight</p>
1.7	“bulk consumer”	<p><u>Means a customer of electricity, water, sewerage or refuse removal services for commercial or industrial purposes.</u></p> <p><u>Means a customer of electricity, water, sewerage or refuse removal services for commercial or industrial purposes.</u></p>	<p>Formatted: Font: Bold, Not Highlight</p> <p>Formatted: Font: Bold</p>
1.7 A	<p><u>Business / Non-domestic electricity connection.</u></p> <p><u>(Sometimes also referred to as Commercial Tariffs on Nersa approval Letters)</u></p>	<p><u>Non-domestic consumers with three-phase supplies and connection sizes up to 150A or 100kVA. A client can switch from Bulk to Business /Non-domestic once in 12 months that the connection be limited to 150A or 100kVA.</u></p>	<p>Formatted: Not Highlight</p> <p>Formatted: Font: Bold, Not Highlight</p> <p>Formatted: Font: Bold, Not Highlight</p> <p>Formatted: Font: Bold</p>
	<u>Business rate - electricity</u>	<p><u>Means tariff for businesses, governmental institutions or similar supplies in urban or rural areas with a three phase electrical supply. The different rates will be implemented as determined and approved by Nersa on a yearly basis based on an NMD as determined by the Municipality from time to time.</u></p> <p><u>Non-domestic / Business connection.</u></p>	<p>Formatted: Font: Bold</p> <p>Formatted: Font color: Auto</p>

		<u>(Sometimes also referred to as Commercial Tariffs on Nersa approval Letters) Non-domestic consumers with three-phase supplies and connection sizes up to 150A or 100kVA.</u>
“C”		
1.8	“Chief Financial Officer”	Means a person designated in terms of the provisions of section 80(2)(a) of the MFMA.
1.9	“Constitution”	Means the Constitution of the Republic of South Africa, Act 108 of 1996.
1.10	“Consumer”	Means a person or entity consuming or receiving municipal services, and may include a customer or a tenant of a customer irrespective of whether such a person has concluded a service agreement with the Municipality, and may also include a person who illegally and unlawfully connected to the municipal services infrastructure or who

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		illegally and unlawfully gained access to or usage of the municipal services.
1.11	“Consumer Price Index excluding mortgage bonds” or “CPIX”	Means the CPIX as determined and gazetted from time to time by the South African Bureau of Statistics.
1.12	“cost to be recovered”	Means the cost reasonably associated with the rendering of a municipal service, including that the cost of purchasing or acquisition, the cost of processing, treatment or adoption of the product or service to be delivered or supplied, capital cost, operating cost, maintenance cost, replacement cost, administrative cost and support systems costs and interest and may include a determined over-recovery per unit consumed.
1.13	“Council”	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.14	“Credit Control & Debt Collection Policy and By-laws”	Means the Credit Control and Debt Collection Policy and By-laws as adopted by the Council of the Municipality.
1.15	“customer”	<p>Means the owner of the premises or in exceptional circumstances a tenant, and includes a person or entity liable to the Municipality for the payment of tariffs, levies, fees and municipal consumption charges in terms of a service agreement concluded with the Municipality, and may include a person who applied to the Municipality for indigent support in terms of the Indigent Policy, and who is not the owner of the premises, but who is:</p> <p>(a) the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or</p> <p>(b) the party to whom the residential property is awarded in the event of a divorce; or</p>

		<p>(c) where a deceased estate has not been wound up:</p> <p>(i) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or</p> <p>(ii) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir; or</p> <p>(iii) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or</p> <p>(iv) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate;</p> <p>and who simultaneously with the application for indigent support in terms of the Indigent Policy, applied for the provision of municipal services in terms of the Credit Control & Debt Collection Policy and By-Law of the Municipality to be granted an account and to conclude a service agreement with the Municipality, and whose application has been approved by the Municipality, and as such has concluded a service agreement with the Municipality.</p>
"D"		
1.16	Disconnection Fee	means a fee charged to a Customer upon termination or restriction of a municipal service supplied to a meter;
"E"		
1.1.7	External Service Provider	means an external mechanism referred to in section 76(b) of the ACT which provides a municipal service for a municipality;

“F”		
1.18	“flat rates”	Means the unit tariffs that are calculated by dividing the total cost by volume needed.
1.19	“fixed costs”	Means costs that do not vary with consumption or volume produced.
1.20	“financial sustainability”	in relation to the provision of a Municipal service, means the provision of the Municipal service in a manner aimed at ensuring that the financing of that service from internal and external services, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of – (i) The initial capital expenditure required for the service; (ii) Operating the service; and (iii) c) Maintaining, repairing and replacing the physical asset used in the provision of the service.
1.21	“financial year”	Means the period starting from 1 July in any year and ending on 30 June of the following year.
“I”		
1.22	“IDP”	Integrated Development Plan envisaged in section 25 of the ACT
1.23	“Indigent”	a Customer or any household or category of households, including a child headed household, who or which qualifies for Tariff assistance as laid down in Annexure A to the Municipality's Credit Control and Debt Collection Policy and the Indigent Policy of the Municipality as determined by the Municipal Council annually, during the budget process,
1.24	“Indigent Policy”	Means the Indigent Policy, adopted by the Council of the Municipality.
1.25	“indigent support”	Means the financial and other support, discounts, subsidies and assistance which the Municipality renders to Registered Indigents and households headed by Registered Indigents.

1.26	<u>"Interest rate"</u>	<u>Means interest charged by the municipality on all outstanding debtors.</u>
"M"		
1.26	"Mayor"	Means, in terms of the provisions of section 1 of the MFMA, in relation to a municipality with an executive mayor, the councillor elected as the executive mayor of the municipality in terms of section 55 of the Structures Act.
1.27	"major services"	Represent the four municipal services (water, electricity, refuse removal and sewerage), instituted by the Municipality to fulfil the basic municipal services allocated to the Municipality in terms of the provisions of Section 84 of the Structures Act, and are those services on which monthly service charges are levied per consumer's account.
1.28	"minor services"	Means those municipal services for which the Municipality annually approve tariffs and shall, when deemed appropriate by the Municipality, be subsidised by property rates and general revenues, particularly when tariffs will prove uneconomical when charged to cover the cost of the municipal service concerned, or when the tariff is designed purely to regulate rather than finance the use of the particular municipal service or amenity.
1.29	"Municipal Finance Management Act" or "MFMA"	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 and the regulations promulgated in terms of this act.
	"MEC for local government"	means the member of the Executive Council of the province of the North West province who is responsible for local government in such province;
1.30	"Municipality"	Means the RUSTENBURG LOCAL MUNICIPALITY (also referred to as "RLM") a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act,

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		<p>with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: Missionary Mpheni House, CNR NELSON MANDELA & BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <p>(a) its successor in title; or</p> <p>(b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality's duties, functions and powers; or</p> <p>(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.</p>
1.31	"Municipal Council"	means the RLM Municipal Council; a council composed and elected in terms of section 157 of the Constitution;
1.32	"Municipal Manager"	A person appointed in terms of section 54A of the ACT as the head of administration of the Municipal Council;
1.33	"Municipal Property Rates Act" or "MPRA"	Means the Local Government: Property Rates Act, Act 6 of 2006 and promulgated Regulations in line with the Act.
1.34	"municipal service" or "services"	<p>Means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether –</p> <p>(a) such service is provided or to be provided by the Municipality through an internal mechanism contemplated in section 76 of the Systems Act or by engaging an external mechanism contemplated in section 76 of the Systems Act; and</p> <p>(b) fees, charges or tariffs are levied in respect of such service or not.</p>

“N”		
1.35	“non-trading services”	Services for which tariffs are not necessarily expected to cover the full cost of service provision. Any losses on the provision of these services are financed out of the income generated from trading services and assessment rates.
“P”		
1.36	“prepayment meter”	Means a meter whereby payment for municipal services is first made elsewhere and credit is transferred to such meters by means of a token or coded number or credit card and such meter is programmed and dispenses municipal services as it is consumed by the consumer at a predetermined rate and/or charge.
“R”		
1.37	“rates”	Means a municipal rate on property levied in terms of the provisions of section 229(1)(a) of the Constitution and section 2(1) of the MPRA.
1.38	“Registered Indigent”	Means a person, qualifying to be registered as an indigent in terms of the Indigent Policy of the Municipality, who has applied to the Municipality in terms of the Indigent Policy to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent in the Indigent Register.
1.39	“Re-connection fee”	means fee charge to a Customer upon reconnection of Municipal services;
1.40	“RCC”	Municipal Regional Community Centers
“S”		
1.40	“Service delivery agreement”	means an agreement as envisaged in section 81 of the ACT;
1.41	“Special Tariff”	means a charge as more fully referred to in 9.3.9, read together with 13 of this Policy;

1.42	“Sundry Tariff”	means a charge as more fully referred to in paragraph 9.3.8 of this Policy;
1.43	“Surcharge”	means a charge raised on and above a normal Tariff based either on a percentage and or a fixed amount;
1.44	“Structures Act”	Means the Local Government: Municipal Structures Act, Act 117 of 1998 and promulgated regulations in line with the Act.
1.45	“subsidised services”	Means municipal services in respect of which the tariffs do not cover the costs of provision and in respect of which such costs are subsidised by property rates and the general revenue of the Municipality.
1.46	“Systems Act”	Means the Local Government Municipal Systems Act, Act 32 of 2000, as amended, by Act 44 of 2003 and any promulgated Regulations in line with the Act.
“O”		
1.47	“off-peak supply”	Means an electricity supply on written request to a bulk customer which is supplied at times other than those of peak demand.
“T”		
1.48	“Tariff/ (municipal tariff)”	means fees, levy , charges or a surcharge levied by the Municipality in respect of any function or service provided by the Municipality to the local community, and includes a surcharge on such Tariff but excludes the levying of rates by the Municipality in terms of the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
1.49	“Tariff book”	Refers to the Tariff Tables that accompany the annual budget which is tabled before the Municipal Council in terms of section 17(3) of the MFMA.
1.50	“tariff policy” or “this policy”	Means this Tariff Policy of the Municipality adopted in terms of the provisions of section 74(1) of the Systems Act.

1.51	“temporary customer”	Means a customer of electricity, water, sewerage or refuse removal services for a temporary period for specific project or occasion.
1.52	“total cost”	Means the sum of all fixed and variable costs.
1.53	“trading services”	Services which can, in principle, run as separate businesses, because tariffs can in theory be set in such a way as to yield a trading surplus. A key feature of trading services is that they can be provided by private enterprises. Consumers receive a direct <i>quid pro quo</i> for tariffs paid. Water, sanitation, electricity and refuse removal form part of trading services.
1.54	“two-part tariffs”	Are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of consumers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed.
“U”		
1.55	“units consumed”	Means the number of units consumed of a particular service and is measured in terms of the units of measurement reflected in this policy.
“V”		
1.56	“variable costs”	Costs that vary with consumption at volume produced.

5. Policy Rules and Provisions

5.1 This Policy applies to all tariffs levied by the Municipality. Such Tariffs must be consistent with the principles contained in this Policy and the National Treasury's Costing Methodology for Local Government Guideline¹.

5.2 All Tariffs must be approved by resolution of the Municipal Council.

5.3 Details pertaining to specific levels and applications of the various Tariffs must be published in the Tariff Book tabled on an annual basis together with the Municipal Budget.

5.4 While full cost recovery is the optimum pricing outcome, the Municipality may adjust pricing to take into consideration socio- economic issues such as the Indigent by using a redistribution mechanism (cross subsidisation) as envisaged in this Policy.

- 5.5 Subject to 5.4 above, where a service is provided primarily for an individual user and actual service or consumption can be accurately measured, the cost of providing the service should be covered from the individual through the levying of a tariffs.
- 5.6 If a Municipal service is provided through a Service delivery agreement in terms of section 76(b)) of the **ACT**, the Municipality remains responsible for ensuring that the service is provided to the local community in terms of the provisions of the **ACT** and accordingly, must :
- 5.6.1 Control the setting, review and adjustment of the tariffs by the service provider for the Municipal Service in question.
- 5.6.2 Ensure that the Service delivery agreement contains a provision for tariffs to be adjusted by the service provider within the threshold determined by the Municipality.
- 5.7 Some services, although provided primarily for the benefit of individual users have important community benefits and, particularly where these services cannot be accurately measured, the cost of the service should be recovered by a combination of tariffs and rates. The provision of solid waste collection is such a service.
- 5.8 The Indigent should have access to basic services in line with the **ACT** and national government policy, taking into consideration the affordability constraints for the Municipality.
- 5.9 The Municipal Council may determine rebates applicable to different categories of users or the circumstances in which a Tariff may be waived at the time of adopting Tariffs.
- 5.10 All Tariffs imposed by the Municipality must comply with the following principles as set out in section 74(2) of the ACT and these principles must be applied when Tariffs are determined for approval by the Municipal Council:
- 5.10.1 All users of a municipal service should be treated equitably in the application of the Tariff; and shall be categorised as per the Municipality's Rates Policy;
- 5.10.2 The amount charged on individual users for services should be in proportion to their use of that service;
- 5.10.3 Provision may be made for the promotion of local economic development through special Tariffs for categories of commercial and industrial users;
- 5.10.4 The Tariff item must be supplied in a sustainable manner and the costs reasonably associated with the provision of such Tariff item, including capital, operating, maintenance, administration, replacement costs and interest charges must be reflected in the Tariff;
- 5.10.5 The Tariff must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;

- 5.10.6 The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;
- 5.10.7 The Indigent- must have access to at least basic services through:
- 5.10.7.1 Tariffs that cover only operating and maintenance costs;
- 5.10.7.2 Special Tariffs for low levels of use or consumption of service or for basic levels of service; or
- 5.10.7.3 any other direct or indirect method of subsidisation of Tariffs ~~for the~~for the Indigent ;
- 5.10.8 The extent of subsidisation of Tariffs for the Indigent and other categories of users must be fully disclosed.
- 5.10.9 Correct cost allocations and measurement of historical costs should take place to ensure that no inappropriate subsidisation occurs.
- 5.11 The Municipal Council may, in appropriate circumstances, impose a surcharge on a Tariff for a service in accordance Municipal Fiscal powers and Functions Act, 2007 (Act 12 of 2007). A Tariff may not be increased during a financial year as stipulated in section 28(6) of the MFMA;
- 5.12 A Tariff may differentiate between different categories of users as contained in the Tariff Book, and other matters as long as the differentiation does not amount to unfair discrimination.
- 5.13 Where the Municipality provides a Municipal service (e.g. water or electricity) up to the cadastral boundary of a property, the Municipality has the right to control the setting, review and adjustment of Tariffs by the relevant authority supplying the service to the end user, within the boundaries of such property.
- 5.14 In addition to the provisions of the ACT, Tariffs for water services must comply with the Regulations under the Water Services Act, 1997(Act 108 of 1997), and Tariffs for Electricity must comply with the provisions of the Electricity Regulation Act, 2006 (4 of 2006)

6. Title and Application

- a) This policy is known as the Tariff Policy of the Municipality, and is applicable to the municipal area of the Municipality.
- b) This policy revokes all previous policies, decisions and/or ad hoc clauses within any other policy, regarding the subject matter of this policy.
- c) This policy further applies to all fees, charges or tariffs in respect of any municipal services provided by the Municipality.

7. Commencement and Validity

This policy shall come into force and effect upon the acceptance hereof by the Council of the Municipality by resolution, as contemplated in terms of the provisions of section 24(2)(c)(v) of the MFMA.

CHAPTER 2: CLASSIFICATION AND TARIFF STRATEGIES FOR SERVICE AND CROSS-SUBSIDISATION

8. Differentiation for Tariff Purposes

Section 74(3) of the ACT permits the Municipality to differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination.

Each Municipal Service is not compelled to differentiate for tariff purposes, but where it does, the differentiation must be consistent with this Policy and provision must be made in the Tariff Book for a separate Tariff for each category.

9. Categories of Services

Separate tariff structures may be imposed for the following categories of services (which the Municipal Council may change):

9.1 Trading services

- (i) Water and Sanitation;
- (ii) Electricity; and
- (iii) Fresh Produce Markets.
- (iv) Cleansing and Solid Waste
- (v) Rates and General Services
- (vi) All other services not listed in 9.1 above and as follows:
 - (vii) cemetery fees;
 - (viii) housing rental;
 - (ix) library fees, being:
 - (x) membership fees;
 - fines;

- lost books;
- lost membership cards;

(xi) rental for utilising municipal property and municipal sports grounds;

(xii) lease of municipal property;

(xiii) building plan fees;

~~(xiv)~~ advertisement sign fees;

~~(xv)~~ ~~(xiv)~~ plastic bag sales;

~~(xvi)~~ ~~(xv)~~ refuse bin sale;

~~(xvii)~~ ~~(xvi)~~ cleaning of overgrown stands;

~~(xviii)~~ ~~(xvii)~~ connection fees for major municipal services;

~~(xix)~~ ~~(xviii)~~ photocopies and faxes;

~~(xx)~~ ~~(xix)~~ clearance certificate ~~fees~~ memoranda;

~~(xxi)~~ ~~(xx)~~ pound fees;

~~(xxii)~~ ~~(xxi)~~ cleansing of sewerage blockages;

~~(xxiii)~~ ~~(xxii)~~ electricity or water disconnection and reconnection fees;

~~(xxiv)~~ ~~(xxiii)~~ the provision of information or copies of records from the Municipality ' records

~~(xxiv)~~ Towing Services by Public Safety

~~(xxv)~~ VAT is charged as per the existing national tax legislation.

10. Categories of Users

1) The Municipality shall differentiate between different categories of consumers, as provided in section 74(3) of the Systems Act, as long as the differentiation does not amount to unfair discrimination. Such differentiation shall at all times be reasonable and is as follows:

- a) Residential/Domestic;
- b) Business/Commercial;
- c) Vacant Land
- d) Industrial
- e) Agricultural
- f) Mining

- g) Institutional;
 - h) Rural;
 - i) Municipal;
 - j) State owned or organ of state owned properties;
 - k) Education;
 - l) Exclusive Use Areas
 - m) Garages
 - n) Commercial Parking
 - o) Multipurpose Property
 - p) Public Service Infrastructure ~~and applicable tariff~~
 - q) Public Benefit Organisation ~~and applicable tariff~~, and
 - r) Special Category for specific consumers as may be determined by the Municipality from time to time.
- 2) A continuous effort should be made to group together those consumers who have more or less the same access to a specific municipal service.

11. Tariff Strategies for Services

11.1 Cost Elements

The following cost elements will be used as a basis of Calculation for the different categories of tariffs pertaining to different services:

- **Fixed costs:** which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service, and any other costs of a permanent nature, as determined by the Municipal Council /National Treasury from time to time.
- **Variable cost:** This includes all other variable costs that have reference to the service.
- **Overheads:** Consist of interdepartmental charges charged out to a service, based on an agreed methodology.
- **Total cost:** consist of the fixed cost, variable cost and overhead cost.

11.2 NATIONAL ELECTRICITY REGULATOR (NERSA) GUIDELINES

Guidelines issued from time to time by the National Electricity Regulator will be taken into account in calculating tariffs for electricity.

11.3 TARIFF TYPES

11.3.1 In setting the fees, charges or tariffs for municipal services, the Municipal Council must:

- a) accurately reflect costs to achieve economic efficiency;
- b) ensure equity and fairness between different types and categories of consumers;
- c) utilise appropriate metering and supporting technology; and
- d) be transparent.

11.3.2 In determining the type of fee, charge or tariff applicable to the municipal service, the Council may make use of the following options, or a combination thereof:

(a) **Single tariff:** this Tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer, the Municipal Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the Tariffs;

(b) **Cost related: two, three or four part Tariff:** this Tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part Tariffs will be used to calculate the Tariff for electricity and to provide for maximum demand and usage during limited demand. Four part tariff shall consist of four parts being the fixed cost per unit consumed, a monthly availability charge, an access charge which relates to a fixed tariff levied for the capacity utilised or reserved and a demand charge which relates to the time when, and the extent of the demand for the municipal service is made.

(c) **Inclining block tariff:** this Tariff is based on consumption levels being categorised into blocks, the Tariff being determined and increased as consumption levels increase. The first step in the Tariffs will be calculated at operating and maintenance costs, the second at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

(d) **Declining block tariff:** this Tariff is the opposite of the inclining block Tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit determined by the Municipal Council from time to time by the volume consumed. This Tariff will only be used for special agreements as contemplated in the applicable Bylaws/legislation.

(e) **Regulating Tariff:** this Tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

(f) **Time-of-use tariff:** this Tariff is based on fixed charges, seasonal usage and time differentiated energy and demand charges.

(g) **Basic, Availability or Fixed Tariff:** this Tariff is a fixed charge, the calculation of which is based on the fixed cost of a service by dividing the cost into the Unit of Measure plus the application of any cross subsidy. This is payable based on the availability of the municipal services and irrespective of whether the municipal services are connected to a property, consumed or used. Once the Municipality provides a connection or the municipal services are consumed or used, the normal tariffs for the consumption will apply with the availability charge.

(h) **Sundry Tariff:** this Tariff is in respect of services and facilities other than the Tariffs referred to in above, and shall, when deemed appropriate by the Municipal Council in each annual budget, be subsidised by property rates and general revenues, particularly when the Tariffs will prove uneconomical when charged, to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the Tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

(i) **Outside Municipal Area:** This tariff shall apply to consumers who do not reside within the municipal area of jurisdiction of the Municipality but are making use, on application to the Municipality, of certain municipal services.

(j) **Special Tariffs:** is a Tariff approved by the Municipal Council and imposed by way of an Agreement as contemplated in 13.1.1 and 13.1.2 of this Policy; This tariff shall be determined and approved by Council on application for specific developments and/or informal settlements which may motivate or necessitate a special tariff, not provided for in the tariffs referred to above.

11.4 Units of Measures

11.4.1 **Property Value:** this measurement is used to determine the property rates as envisage on the Property Rates Act;

11.4.2 **Kilolitre:** this measurement is used to determine the consumption charge for water;

11.4.3 **Kilowatt hour:** this measurement is used to determine the consumption charge for electricity;

11.4.4 **Kilovolt Ampere:** this measurement is used to determine the demand charge for electricity;

11.4.5 ~~KilolitreCubic-metre~~: this measurement is used to calculate the tariff for refuse charges;

11.4.6 **Kilometre:** this measurement is used to calculate all vehicles that measure distance in kilometers;

11.4.7 **Hour:** this measurement is used for the calculation of tariffs for plant and machinery and to charge tariffs for man hours performing certain functions;

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11.4.8 **Number off (Stands, Consumers, etc):** this measurement is used to calculate fixed, basic and availability Tariffs, see 9.3.7 above.

11.4.9 **Percentage:** this measurement is used to calculate a rate, number, ratio expressed as a fraction of 100 or amount in each hundred.

11.4.10 **Size of the stand, ~~and sewer points/~~ number of toilets (whichever is higher):** this measurement is used to calculate the tariff for sanitation charges.

11.5 Calculation of Tariffs for Major Services

The primary purpose of a tariff is to recover the costs to be recovered of a particular municipal service and to endeavour to avoid in as far as possible the cross subsidising of the municipal service.

In order to determine the Tariff which must be charged for the supply of the four major Municipal services (water, electricity, refuse removal and sewerage) the municipality shall identify all the operational costs of the undertakings concerned, including specifically the following:

11.5.1 Cost of bulk purchases in the case of water and electricity;

11.5.2 Purification costs (water and sewer);

11.5.3 Distribution costs;

11.5.4 Distribution losses in the case of electricity and water;

11.5.5 depreciation and finance charges;

11.5.6 Maintenance of infrastructure and other fixed assets;

11.5.7 cost of approved indigent support measures and cross subsidising of low consumption;

11.5.8 Administration and service costs, including:

- a. service charges levied by other departments such as finance, human resources and legal services;
- b. reasonable general overheads, such as the costs associated with the office of the Municipal Manager;
- c. adequate contributions to the provisions for bad debts and obsolescence of stock;
- d. all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from the costing of the major services of the municipality).

11.5.9 The intended surplus to be generated for the financial year, such surplus to be applied:

- a. as an appropriation to capital reserves; and/or
- b. generally in relief of rates and general services.

11.6 ACCESS TO BASIC SERVICES - INDIGENT

11.6.1 Tariffs should seek to ensure that a minimum basic level of service is affordable for all households, ensuring all households (formal and informal) have access to basic services.

11.6.2 Free basic municipal services refer to those municipal services necessary to ensure an acceptable and reasonable quality of life and which municipal service, if not provided, could endanger public health or safety to the environment. It is one of the objects of the Municipality in terms of the provisions of the Constitution to provide same.

11.6.3 The Assistance to the Indigent Scheme as contained in the Municipality's Credit Control and Debt Collection Policy, should be taken into consideration when determining a Tariff in relation to basic services.

11.6.4 The Municipality shall consider relief in respect of a Tariff, for the Indigent to the extent that the Municipal Council deems such relief affordable in terms of each annual budget.

11.6.5 The indigent support granted to Registered Indigents by the Municipality in terms of the Indigent Policy of the Municipality, must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

11.6.6 Indigent support by the Municipality is restricted to qualifying indigent households with a combined income amount determined by the Municipality at the beginning of every financial year, available on application to Registered Indigents, and to be applicable for the duration of that particular financial year.

11.6.7 The Municipality recognises the following categories of service charges to which indigent support may be applied:

- (a) Electricity;
- (b) Water;
- (c) Refuse removal;
- (d) Sewerage;
- (e) Property rates; and
- (f) Pauper burials.**

12. Review of Tariffs

12.1 All Tariffs shall be reviewed annually.

13. Cross-Subsidisation

The Municipality realizes that in order to achieve its goal of the provision of access to basic services, cross subsidization must occur. This will result in increases in certain Tariffs, which are necessary to make good any shortfall resulting from the provision of subsidized basic services and to ensure a balanced budget on the trading account.

The Municipality subscribes to the policy that indigent households are entitled to access to at least 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 basic services include:

11.2.1. Domestic refuse removal;

11.2.2. Electricity;

11.2.3. Water;

11.2.4. Domestic Sewage disposal, as contemplated in the Municipality's Credit Control and Debt Collection Policy.

Unless otherwise determined by National or Provincial legislation, the following ratios are applicable to cross subsidise between categories of users.

Category of User	Ratio
Residential	1:1
Business & Commercial	1:2.5
Industrial	1:3
Agricultural	1:1
Public Service Infrastructure	1:2.5
Mining	1:3
Public Benefit Organisations	1:1

14. Promoting Local Economic Development

The Municipal Council may, when it determines Tariffs, have regard to the following:

- (a) The promotion of local economic competitiveness; and
- (b) The promotion of local economic development and growth.

15. Special Tariffs

15.1 Special Tariffs may be imposed, subject to approval by Municipal Council:-

- 15.1.1 In terms of an agreement entered into between the Municipality and any person or service provider, in line with applicable legislation. Such agreement must be approved by the Municipal Council; or
- 15.1.2 In terms of a service level agreement entered into between the Municipality and an external service provider as contemplated in section 76(b) of the ACT.
- 15.2 Special Tariffs are generally competitive, determined by the volumes and income generated.

CHAPTER 3: PROCEDURE FOR THE INTRODUCTION OF NEW OR REVISED TARIFFS

16. Procedures and Processes

- 16.1 Any introduction of new and or proposed changes to an existing Tariff must be submitted to the Municipal Council for approval prior to the tabling of the annual Budget in March and May of each year. The Tariff report must be authorised and signed by the Relevant Director of the municipal Unit which compiled the Tariff report, the CFO, ~~Head/Senior Manager Revenue~~ Unit Manager - Billing, Head Legal Services and thereafter the Municipal Manager;
- 16.2 Once all the signatures of the above officials have been obtained, the Tariff report must be submitted to the relevant Standing Committee which has oversight over such Tariff, for approval in principle. A copy of the proposed Tariff report should be submitted to the Budget and Treasury Office;
- 16.3 If the ~~Tariff is~~ Tariff is recommended for approval by the relevant committee or committees contemplated in 14.2 above, it must be forwarded to the Mayoral Committee for consideration and approval in principle, and thereafter to the Municipal Council for final adoption;
- 16.4 All Tariffs are levied by a resolution passed by the Municipal Council with a supporting vote of a majority of its members;
- 16.5 Once the Tariffs contained in the Tariff report have been adopted by the Municipal Council, the respective line department which introduced the Tariffs must, upon becoming aware that the Tariffs have been approved—
 - 16.5.1 immediately forward a copy of the approved Tariffs to the Budget and Treasury Office together with a copy of the resolution of the Municipal Council; and
 - 16.5.2 advise the Budget and Treasury Office that the Tariffs, as approved, by the Municipal Council are the new set of Tariffs for the relevant financial year, in question.

- 16.6 The Budget Office must collate all the Tariffs, as approved, and consolidate them into the Tariff book of the Municipality;
- 16.7 After a resolution contemplated in 16.5 above, has been passed, the Municipal Manager must, without delay-
- 16.7.1 conspicuously display a copy of the resolution for a period of at least 30 days at Mpheni House, Municipal libraries, RCC's, municipal website and at such other places within the Municipality to which the public has access as the Municipal Manager may determine;
 - 16.7.2 publish in a newspaper of general circulation in the municipality a notice stating-
 - 16.7.2.1 that a resolution as contemplated in 14.5 above, has been passed by the Municipal Council;
 - 16.7.2.2 that a copy of the resolution is available for public inspection during office hours at Mpheni House, Municipal libraries, RCC's, municipal website and at the other places specified in the notice; and
 - 16.7.2.3 the date on which the determination will come into operation; and
 - 16.5.4.3 seek to convey the information referred to in paragraph 16.8.2 to the local community by means of radio broadcasts covering the area of the Municipality.
- 16.8 The Budget and Treasury Office must forthwith—
- 16.8.1 forward a copy of the notice referred to in paragraph 14.8.2 to the MEC for local government concerned; and
 - 16.8.2 forward a copy of the resolution and accompanying Tariffs to the Legal Services Unit and to the Billing unit.
- 16.9 The Budget and Treasury Office must—
- 16.9.1 compile a collection of all approved Tariffs for the respective financial year; and
 - 16.9.2 forward the approved Tariffs for the respective financial year to the Municipality's Communications Department.
- 16.10 Upon receipt of Tariffs from the Legal Services Unit, the Communications Department must immediately post such Tariffs under an identifiable tab in the Municipality's intranet and internet. It is the responsibility of the Accounting Officer:-
- 16.10.1 To provide the Council with a consolidated Tariff Table/Book in March and May each year when the Budget is tabled ,and
 - 16.10.2 To issue such administrative directives to staff as may be necessary to ensure compliance.

17. Tariff Reports

- 17.1 Any municipal department wishing to introduce a new Tariff or propose a change to an existing Tariff must compile a Tariff report for consideration by the Municipal Council;
- 17.2 The Tariff report must, where applicable, provide details of the following:
- 17.2.1 a statement of the current income from the Tariff concerned and, if a surcharge is imposed, a statement of the Tariff income from such surcharge;
 - 17.2.2 a statement of any income from subsidies from the tax revenue of the municipality;
 - 17.2.3 a statement of any current subsidies from any provincial or national government source;
 - 17.2.4 a statement of the current costs reasonably associated with the provision of the Tariff item concerned which shall be broken down into the following sub-items—
 - 17.2.4.1 capital costs;
 - 17.2.4.2 operating costs;
 - 17.2.4.3 overhead costs;
 - 17.2.4.4 bulk purchasing costs in respect of water and electricity reticulation services and other municipal services;
 - 17.2.4.5 maintenance costs;
 - 17.2.4.6 administration and regulatory costs;
 - 17.2.4.7 replacement costs;
 - 17.2.4.8 provision for bad debts;
 - 17.2.4.9 interest charges;
 - 17.2.4.10 cash requirement for the repayment of any borrowing; and
 - 17.2.4.11 surplus (if any).
 - 17.2.5 a statement of the anticipated costs for the next three financial years divided into the same sub-items mentioned above and, if those costs have changed or should change during the next ~~three-year~~ three-year period, a brief summary of the reasons for the change;
 - 17.2.6 a statement of the proposed increase or decrease in the Tariff and the anticipated revenue from such increased or decreased Tariff fee for the next financial year;

- 17.2.7 a statement of whether a subsidy is needed for the sustainability of the Tariff item concerned and, if so, whether funding is expected from the provincial or nation government or whether it is proposed that the subsidy be provided from the municipality's own sources;
- 17.2.8 a statement of the justification for any differentiation proposed in the fee for the same Tariff items; and
- 17.2.9 a statement of any justification for a lifeline Tariff, a special Tariff, a fixed Tariff or a minimum charge.
- 17.2.10 a statement indicating the cross subsidy in the Tariff; and
- 17.2.11 in the case of Tariffs for Water, Electricity, Sewer and Refuse a statement of the anticipated usage of the services per different category expressed in kl, kWh, kVa, and m³, whichever is applicable. The statement should also contain the number of users per category.

18. Accounts incorrectly billed

18.1 Any account that has been incorrectly billed will be corrected to a maximum of three years from the date the incorrect amount~~correction~~ is identified, except in exceptional cases which can be approved by the CFO/ Unit Manager – billing, this will be applied in conjunction with the current by laws and in case where there is inconsistency, the by law will take precedence.

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19. Interest charged on arrears

19.1 Interest shall be charged at prime rate plus one per month for property rates and prime rate plus two for other services. Interest must be paid to the Municipality on accounts that have not been paid within thirty days from the date on which such accounts became due.

20 Cleaning of stands

20.1 Should a vacant stand not be properly maintained and cleaned, the municipality can clean the stand and charge a fee determined in its tariff book.

21 Billing basic refuse collection on vacant stands

In terms of the Municipal Waste Management By Laws, the municipality charges basic waste on all vacant stands within proclaimed areas.

22 Billing of Sectional titles/flats and other properties having a bulk connection

22.1 —The municipality will no longer bill individual meters in the above mentioned properties.

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however, only the bulk meter will be billed in line with the municipal by laws.

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23 Estimated charges

23.1 The municipality will charge estimates using the client's last three actual readings, where this information is not available, a reasonable estimate can be used based on the longer periods.

19. 242 Public Participation

18.1 240.1 The Accounting Officer shall arrange for a series of local meetings with the ward committees and the public of each ward to ensure proper participation by the local community in the affairs of Municipality. Such meetings shall be conducted during the budget participation process.

18.2 240.2 The ward councillor of the ward concerned shall chair any meeting referred to in 2048.1 above. The object of the meeting will be to prepare comments and representations on Tariffs or their amendment. The Accounting Officer shall ensure that all such comments and representations made by any such meeting are referred to Mayoral Committee and Mayoral Committee shall take them into account when it reports thereon to the Municipal Council.

20. 253 Enforcement and Oversight

19.1 24.1 This Policy, together with all departmental Tariff policies, is enforced through the Municipality's –

19.1.1 2534.1 Tariff By-law; and

2534.2 Credit Control and Debt Collection By-law and Policy;

253.3 Water Services by law

253.4 Electricity by laws

19.1.2 253.4 Waste Management by laws

19.2 2534.32 The CFO together with Unit Manager - Budget will have an oversight responsibility over all Tariffs submitted for approval to confirm that it complies with the principles stipulated in this Policy.

19.3 254.3 Any deviations from this Policy and National Treasury's Costing Methodology for Local Government Guideline shall be fully disclosed and reported to the Municipal Council.

24. 264. Policy Evaluation and Review

20.1 2642.This1. This Policy must be reviewed by the Treasury Unit, assisted by the Legal Services Unit on an annual basis, prior to the commencement of the new financial

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year, and amendments made to strengthen the Policy, where applicable, for consideration during the annual Budget process.

~~22.~~ 275 Interpretation of this Policy

~~24.1~~ 2753.1 If there is a conflict of interpretation between the English version and a translated version, the English version prevails.

~~24.2~~ 2753.2 Unless the context indicates the contrary, any reference to an official or a designated post in this Policy, shall include the duly authorised nominees/delegates of such official or of the incumbent of such post.

~~24.3~~ 2753.3 This Policy must be read in conjunction with specific legislation applicable to each service and the following policies:

~~24.3.1~~ 2753.3.1 The Municipality's Credit Control and Debt Collection Policy

~~24.3.2~~ 2753.3.2 The Municipality's Rates Policy

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RUSTENBURG LOCAL MUNICIPALITY



**POLICY: TRAVELLING AND SUBSISTANCE ALLOWANCE AND ATTENDANCE OF
CONFERENCE, WORKSHOPS AND MEETINGS FOR EMPLOYEES AND COUNCILLORS**

1. INTRODUCTION

To ensure the proper administration of all regulations regarding travelling and subsistence for employees, full-time and part time Councilors as well as their attendance of conferences, workshops and meetings, the formulation and upkeeping of a comprehensive policy is essential.

2. DEFINITIONS

“delegate”

Include any Employee who is delegated by the Council to attend seminars and congress, or who is delegated by the Municipal Manager to attend meetings, workshops and work outside the municipal area.

Any Councilor nominated by the Council and / or Executive Mayor as representative on public bodies and delegated to attend meetings, congresses and some other functions.

“official transport”

vehicles of the Rustenburg Local Municipality, regarded as suitable by the Municipal Manager for the circumstances and trip to be undertaken.

“per night”

when staying overnight.

**3. AIM OF THE TRAVELLING AND SUBSISTANCE ALLOWANCE AND ATTENDANCE OF
CONFERENCES, WORKSHOPS AND MEETINGS POLICY FOR EMPLOYEES.**

The aim of the policy is to create an organized and effective framework to enable Employees and Councilors to attend official business of the Council, and to cover reasonable expenses therefore, by paying the relevant travelling- and subsistence allowances, within specifically approved stipulations.

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4. SPECIFICATION OF THE POLICY

By formulating a policy for travelling and subsistence allowances, and the attendance of conferences, workshops and meetings for Employees and Councilors, the Council aims at the following targets:

- 4.1 To establish a fixed base for the travelling and subsistence arrangements of employees.
- 4.2 To accommodate the unique travelling and subsistence needs of employees.
- 4.3 To lay down a policy on the usage of all official vehicles as well as vehicles in terms of the transport allowance scheme for purposes as stated in this policy.
- 4.4 To establish a fixed framework for the attendance of official meeting, congresses, seminars, external training sessions and workshops outside the jurisdictional area of the Rustenburg Local Municipality.

5. UP KEEP OF POLICY

Adjustments to the policy shall take place under the following circumstances:

- 5.1 Should the Council's approach to the policy change.
- 5.2 Should new legislation by means of laws, ordinances and / or regulations require adjustments to the policy.
- 5.3 When adjustments to the inflation rate necessitate adjustments to the tariffs, which should be considered annually with income-/expenditure budget.

6. ATTENDANCE OF CONGRESSES, SEMINARS AND WORKSHOPS

- 6.1 Attached is a list of the Associations and Institutes, which congresses and seminars are attended by delegates of the Council, as will be amended in accordance with guidelines from SALGA and in addition the Executive Mayor may be invited from time to time to become a member of other institutions, organizations, etc

6.2 Delegates

6.2.1 Municipal Manager

Although the Municipal Manager has to attend certain congresses/seminars either officially or as a member, he may also attend other congresses/seminars, and should indicate during the budget-meeting which congresses /seminars he intends to attend, for approval by the Council.

6.2.2 Councilors

The general provision for Councilors, individual Directors must provide on their budgets for Councilors in their Directorates, to attend specific conferences, seminars, workshops and meetings, relevant to the duties of each Directorate, on a separate vote number.

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After the delegates have been assigned, Councilors may, due to unique personal circumstances, change assignments. In such cases, the Municipal Manager and the Executive Mayor shall be informed of the change.

6.2.3 Functionaries

The Municipal Manager and Political Head and Director concerned shall resolve on the employee delegation to attend a specific congress / seminar and that the functionaries be rotated to enhance capacity building.

6.2.4 Executive members of Institutes

It may occur that employees are selected to serve on the Executive Committees of Institutions. As this is a special privilege for the employee concerned, and the public image of the Council is extended at the same time, such an employee will, regardless of his salary level, also be delegated to attend a specific congress/ seminar, provided that he is not already a Director of a Directorate or functionary, subject thereto that any employee delegation is limited to two employees is limited to two employees (including the Director of the Directorate).

Employees who are elected on the executive committees of institutes should be free to attend the meetings of the institute concerned, provided that travelling and subsistence allowance and special leave with remuneration be limited to one institute only.

6.2.5 SALGA North West Workgroups

In case where Employees and Councilors serve on any advisory / technical committee of SALGA, permission is granted to attend one- or more than one day workshops, or advisory / technical committee meetings, provided that such delegations be limited to two persons.

7. SUBSISTENCE TO EMPLOYEES AND COUNCILORS

7.1 If an Employee or Councilor is delegated to attend a seminar/meeting- or have to work outside the area of the Rustenburg Local Municipality, the subsistence as in 7.1.2.1 is payable, subject to the conditions as specified below:

7.1.1 Seminars/meetings and work outside the municipal area

- a. All invitations shall be judged to determine usefulness to the Council, and accreditation by SALGA to Local Government.
- b. Employees must be delegated by the Director concerned to attend seminars.

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- c. Councilors must be delegated by the Executive Mayor or Council to attend meetings, congresses, seminars and other functions, and if delegated by the Executive Mayor, a report shall be submitted to Council afterwards.
- d. The Managers in the executive offices of the Council are authorized to approve applications of Councilors for a one day visit or stay overnight where official meetings are scheduled for two consecutive days and the circumstances are of such nature that they have to stay overnight.
- e. The Municipal Manager is authorized to approve for Councilors to stay overnight for a period of more than two consecutive days, provided that such applications are accompanied by Financial Comments from BTO confirming availability of funds.
- f. Employees must be delegated by the Municipal Manager to attend workshops, meetings and also work outside the municipal area, as follows:
- g. Where work has to be done outside the municipal area, excluding the following: Inspections during working hours, work with regard to the electricity supply network, water supply network or work done on property of the Council, health inspections at dairies and dairy-farms, fire- and ambulance services and duties of the Driver / Security Officer of the Executive Mayor, for trips outside the area of Rustenburg Local Municipality, as done with the scope of the daily operational duties.

7.1.2(a) The Director is authorized to approve applications of officials to stay overnight where meetings are scheduled for two consecutive days and the circumstances are of such nature that they have to stay overnight, provided that such applications are accompanied by Financial Comments from BTO confirming availability of funds.

7.1.2(b) The Municipal Manager is authorized to approve for officials to stay overnight for a period of more than two consecutive days, provided that such applications are accompanied by Financial Comments from BTO confirming availability of funds.

7.1.2.1 When staying overnight for seminars/meetings:

- a. If it is approved for a delegate to sleep over, an allowance of R196.00 per night (for no booked accommodation) shall be payable, if the delegate does not use hotel accommodation. If hotel accommodation is used (booked accommodation), the actual cost of the accommodation will be payable, to a maximum of R 1 300.00/night (inclusive of dinner, breakfast and parking). The delegate shall submit an inclusive quotation, as provided by the hotel, to the Budget and Treasury Office and the cheque will be made payable to the hotel.

Council may only approve accommodation that exceed R1300

- during peak holiday periods

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- when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in the country or in that particularly geographical area.

In the event where the available accommodation is more expensive, the Municipal Manager, in consultation with the Executive Mayor, should reconsider a higher amount.

- Incidental costs that are in line with SARS determination shall be payable to a delegate where the delegate is absent from his /her usual place of residence.
- If a delegate has supper while staying overnight when attending a congress, seminar, meeting, course or workshop, the voucher for the meal may be claimed to the maximum of SARS determination, on condition that delegates submit documentary proof of actual expenditure.
- Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometers to and from the destination (return journey).
- For purposes of calculating the starting time of the proceedings of a congress or meeting, the meeting of the delegate shall be seen as part of the congress- or meeting-procedure.
- For calculation of the travelling –time, the forward journey is considered to take place on the day of the commencement of the proceedings. If however, the availability of petrol, the normal estimated travelling time (also of employees from remote areas), the additional time for booking-in at accommodation, parking, plus time for registration at the congress or meeting, should necessitate departure from home before 06:00, the Municipal Manager shall take these aspects into account and may approve earlier departure, authorizing the trip to start on such days or days as deemed necessary by the Municipal Manager, with due consideration of 7.1.2.1(h).
- In case of return-trips, 18:00 is taken to be a reasonable time to be back home, taking into account the available of transport to the home of the delegate concerned, at the said time, with due consideration of 7.1.2.1(h).
- The Municipal Manager may grant approval to delegates from remote areas to stay over in Rustenburg the night prior to departure at 06:00, or the night of arrival back in Rustenburg at 18:00, if transport from- and to their homes are not available.
- Secure parking at hotels, parking garages as well as Toll-fees will be reimbursed over and above the incidental costs payable per day, provided that documentary proof of the actual expenditure is submitted.

7.1.2.2 When staying overnight for work outside municipal area

- When a delegate/ employee has to stay overnight when involved in Council work outside the municipal area and sleeping facilities are available for free, incidental costs as per SARS determination per day or part of a day is payable.

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- b. When an employee has to stay overnight when involved in Council work outside municipal area and sleeping facilities for free are not available, an amount as determined in 7.1.2.3 shall be applicable.

7.1.2.3 When staying overnight for courses or training:

- a. If it is approved for an employee to sleep over, an allowance in accordance with the actual expenditure shall be payable provided that R500.00 per night not be exceeded.
- b. Incidental costs that are in line with SARS determination shall be payable to a delegate where the delegate is absent from his /her usual place of residence.
- c. If an employee has supper while staying overnight when attending a course or workshop, the voucher for the meal may be claimed to the maximum of SARS determination, on condition that delegate submit **documentary proof of actual expenditure.**
- d. **Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometers to and from the destination (return journey).**
- e. Incidental costs that are in line with SARS determination shall be payable to a delegate sent for training, if they are accommodated where no meals are supplied over week-ends. Should all meals be provided with the accommodation, no incidental costs will be payable.
- f. Secure parking at hotels, parking garages as well as Toll-fees will be reimbursed over and above over and above the incidental costs payable per day, provided that documentary proof of the actual expenditure is submitted.

7.1.2.4 When not staying overnight

- a. Any delegate who attend a one-day congress, seminar, course, meeting or workshop outside the area of the Rustenburg Local Municipality, (except those mentioned in paragraph 7.1.2.4 (c) and (d), or is outside the area of the Rustenburg Local Municipality for work purposes (except those mentioned in paragraph 7.1.1 (d) and 8.2), may claim his/her incidental costs per day.
- b. The purpose of the incidental costs is only to compensate employees who are not at their office or workplace during their normal lunch break.
- c. In respect of meetings, ad hoc visits, etc. in terms of which a delegate has been instructed by SALGA and other institutions on its behalf, they shall be responsible for such travelling and subsistence allowance, according to their policy.
- d. Where an organization other than the Council pays a sitting allowance, no day allowance as determined in clause 7.1.2.4 (a) supra, will be payable.

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7.1.3 Applicants invited to attend interviews

- 7.1.3.1 Incidental costs is payable to applicants from outside the jurisdictional area of the Rustenburg Local Municipality. If it is necessary to stay overnight due to certain circumstances, the Municipal Manager may approve an amount of R 500.00 per person per night.
- 7.1.3.2 Should applicants attend interviews for posts in Rustenburg on invitation, an amount equal to the AA-tariffs as amended from time to time to a maximum engine capacity of 3000 cm³ shall be payable, for running costs.
- 7.1.3.3 If proof of toll paid is submitted, the amount will be refunded.
- 7.1.3.4 An amount of the AA – tariff of a leaded running cost for a vehicle with engine capacity of 1800cm³ - 2000 cm³ shall be payable to interviewees.

8. TRAVELLING ALLOWANCE PAYABLE TO EMPLOYEES/ COUNCILORS OF THE COUNCIL

8.1 If employees or councilors are delegated or if they pay visits outside the municipal area, the following travelling allowance is payable, subject to the conditions as stated below:

- a. If official transport is provided, the petrol, oil and other specific costs of the official vehicle concerned will be refunded, subject thereto that the necessary documentation is submitted.
- b. If an employee or councilor uses a private vehicle, excluding a transport allowance scheme vehicle, compensation will be refunded in accordance with the AA-tables, as amended from time to time, and applicable on an annual distance of 30 000 km for fixed costs, and a maximum engine capacity of 3 000 cc, for running costs.

(i) Fixed cost:

An amount per kilometer, as indicated on the AA-tables for vehicles that travel an annual distance of 30 000 km, based on the purchase price of the vehicle used (Refer to Auto Dealers Digest), to a maximum amount of 100% of the employee's annual salary, plus

(ii) Running cost per kilometer, based on the engine cubic capacity of the vehicle concerned, with a maximum of 3 000 cm³, as indicated in the AA-tables, as may be amended from time to time.

- c. If a transport allowance scheme vehicle is used, the running cost is payable in accordance with the AA-tables, as may be amended from time to time, as follows:

Engine capacity of the vehicle concerned, to a maximum engine capacity of 3 000 cc.

- d. If travelling by train, the price of a first class train ticket is payable.

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- e. If travelling by air, when economic class is not available a business class ticket may be bought, subject to it being approved by the Municipal Manager beforehand. Travelling cost to the nearest airport in accordance with this resolution as stipulated by the Municipal Manager, also including parking fees, bus tickets between the airport and accommodation, as well as freight, if necessary, in regard of which satisfactory written proof shall be submitted, is payable. No connection or transfer flights from Sun City to Johannesburg International Airport will be considered.
- f. If travelling by luxury bus, the cost of a return-ticket is payable.
- g. If proof of toll paid, as well as parking fees are submitted, the amount will be refunded.

The following reservations are applicable to the above-mentioned conditions:

- 8.2** Notwithstanding any stipulation included in the Policy, trips outside the area of the Rustenburg Local Municipality shall be considered as trips within municipal area in the following instances:

If work is being done in regard of:

- a. The rural electricity network, within the supply-area of the Council.
- b. Water supply network within the supply-area of the Council and the Bospoort Water-Scheme.
- c. Any other property of the Council within the areas as mentioned in (a) and (b) above.
- d. Inspection of dairies and dairy- farms.
- e. Duties of the Driver / Security Officer of the Mayor for trips outside the area of the Rustenburg Local Municipality.
- f. Fire and Ambulance Services.

9. Accountability

- 9.1** If any employee or councilor is delegated to attend a seminar/meeting/workshop and has received the necessary allowances and is prevented from attending, due to whatever circumstances, after the matter has been assessed, all monies shall be paid back immediately. Failing this, the monies shall be deducted from the monthly salary of the employee or councilor concerned. If this is not done, discipline will proceed, after the matter has been assessed. This expenditure will be classified as fruitless expenditure.
- 9.2** Delegates / representatives to any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event, failing which the Council will take the necessary steps to recover all expenses incurred by an association, or by the Council, to enable such delegate / representative

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to attend, provided that such delegate / representative be afforded the opportunity to submit reasons for not being able to be present from commencement to conclusion of such an event.

10. VISIT ABROAD

10.1 Applications for official trips abroad are handled in terms of the attached guidelines of the Department of Foreign Affairs for Local Government Officials, as provided by SALGA and guidelines from the Office of the MEC (circular attached).

10.2 Incidental Costs during visits abroad will be in line with the SARS determination, or as recommended by SALGA, whichever is greater.

11. USE OF OFFICIAL VEHICLES

This part of the policy deals mainly with the use of official vehicles outside the municipal area, but when applying this paragraph, the stipulations as stated in paragraph 8.2 shall be taken into account as well.

11.1 Outside trips undertaken by employees participating in the Transport Scheme.

A Transport Allowance Scheme vehicle must be used, and the employee concerned must be compensated in accordance with paragraph 8.1 (c), regardless of the approved fixed kilometers per month applicable to the position.

11.2 Outside trips undertaken by employees other than those mentioned in paragraph 11.1.

11.2.1 If employees other than those mentioned in paragraph 11.1 undertake trips outside the municipal area, official transport shall be used.

11.2.2 If no official is available, employees making use of their private vehicles shall be compensated in accordance with paragraph 8.1 (b).

12. HIRING OF VEHICLES AND FLIGHTS

Should an employee have to attend a seminar/congress/meeting as a delegate of the Council, and travels by air, train or bus to the destination, a vehicle may be hired from an acknowledged vehicle hire company for official journeys regarding the seminar/congress/meeting, subject to the following conditions:

- a. The cylinder capacity of the vehicle may not exceed 1 600cm³.
- b. If there are more than four delegates, two vehicles or a microbus may be hired.
- c. If a microbus is hired, the cylinder capacity may exceed 1 600 cm³.

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- d. Delegates may use the hired vehicle for private journeys in the vicinity of the seminar. A log sheet shall be kept for all journeys with the hired vehicle. Private journeys exceeding the free kilometers/day as provided by the hiring company, will be for the account of the delegate hiring the vehicle.
- e. Economy class tickets may only be purchased for flights of 5 hours or less.
- f. The Municipal Manager may approve business class travel for employees with disabilities or for those with special needs.
- g. All accounts for hire vehicles shall be certified as correct by the delegate hiring the vehicle before submitting it to the Budget and Treasury Office.
- h. Arrangements which cannot be accommodated by this paragraph (Hiring of Vehicles) can be authorized by the Municipal Manager.

13. RESPONSIBILITY OF THE MUNICIPAL MANAGER

The Municipal Manager accepts responsibility to apply travel and subsistence arrangements and the attendance of Conferences, Workshops and meetings in terms of the stipulations of the policy.

14. RESPONSIBILITY OF THE DIRECTORS

The Directors and Managers in the Executive Offices recognize and accept the responsibility to see to it that recommendations to the Municipal Manager around travel and subsistence arrangements and the attendance of Conferences, Workshops and Meetings shall comply with all stipulations of this policy.

15. FORMS

15.1 General travel and subsistence arrangements

When applying for travel and subsistence allowances and arrangements, the attached form shall be completed in full, for visits outside the Municipal area. For visits within the Municipal area with an official vehicle, the specific attached form (Application for use of an Official Vehicle) shall be completed in full.

16. CONTROL MEASURES

16.1 Approval of journeys undertaken in terms of this policy, is as follows:

16.1.1 Congress / Seminars / Meetings / Work

Municipal Manager and Officials

Delegates to be determined by means of this policy.

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16.1.2 Journeys outside the municipal area:

The Director is authorized to approve applications of officials to stay overnight where meetings are scheduled for two consecutive days and the circumstances are of such nature that they have to stay overnight , provided that such applications are accompanied by Financial Comments from BTO confirming availability of funds.

The Municipal Manager is authorized to approve for officials to stay overnight for a period of more than two consecutive days, provided that such applications are accompanied by Financial Comments from BTO confirming availability of funds.

The Managers in the executive offices of the Council are authorized to approve applications of Councilors for a one day visit or stay overnight where official meetings are scheduled for two consecutive days and the circumstances are of such nature that they have to stay overnight.

16.1.2.2 Other Officials

Applications for journeys outside the municipal area for day visits only to be approved by the applicable Director or Managers in the Executive Offices subject to availability of funds.

16.2 Availability of Funds

Directors and Managers in the Executive Offices shall see to it that sufficient funds be provided annually for the purpose of this policy. Where there are insufficient funds due to unforeseen circumstances, a veriment or adjustment should be done, in order to make funds available.

17. RESPONSIBILITY FOR THE UP KEEP POLICY

The responsibility for the administrative up keep of the policy is as follows:

Adjustments to tariffs: Director: Finance

Other adjustments: Director: Corporate Support Services

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RUSTENBUG LOCAL MUNICIPALITY LIST OF ASSOCIATIONS AND INSTITUTES

The following associations and institutes qualify for delegations from the Council to attend their Congress, Seminars and Annual General Meetings:

Directorate: Corporate Support Services

The South African Institute for Local Government Management.
Southern African Institute of Management Services.
Institute of Municipal Personnel Practitioners of South Africa.
National Occupational and Safety Association.

Director: Public Safety

Institute of Traffic Officers of Southern Africa.
South African Fire Services Institute.
South African Institute of License Officers.
Emergency and Disaster Management Association of Southern Africa.
North West Traffic Control Coordination Committee (Provincial).
Crime Prevention and Liaison Committee.
Working Group on the Road Transport Quality System (National).
National Traffic Control Coordinating Committee.
S.A. Road Federation.

Directorate: Infrastructure Development and Management

Institute of Municipal Engineers of Southern Africa.
Institute of Civil Engineers.
Institute of Solid Water Management.
Water Institute of South Africa.
Association of Municipal Electricity Undertakings (Southern Africa).
South African National Committee on Illumination.

Directorate: Community Development

Institute of Environmental Health.
South African Institute for Librarian and Information Science.
IMASA.
IERM (Institute of Environmental and Recreation Management).
South African Horticultural Affiliated Services Association.
South African Landscaping Institution.
South African Nursery Association.
Interior Plants capers Association.
Fertilizer Society of South Africa.
SAIEH (South African Institute of Environmental Health, Inclusive of 12 Professional Boards).
HPCSA (Health Professions Council of South Africa).
South African Nursing Council (Individual membership affiliation).

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Directorate: Planning and Development

Institute of Environment and Recreation Management.
South African Institute of Town and Regional Planners.

Directorate: Finance

Institute of Municipal Finance Officers.

IMFO (Institute of Municipal Finance Officers)

SARPA (SA Revenue Protection Association).

SALGA (Provincial and National).

GOVERNMENT (All Provincial and National Government Departments related to Local Government Activities).

USER GROUP (Workgroup w.r.t. Supplier of Financial system).

General

SALGA NORTH WEST

Technical Committees of SALAGA North-West.

SALGA

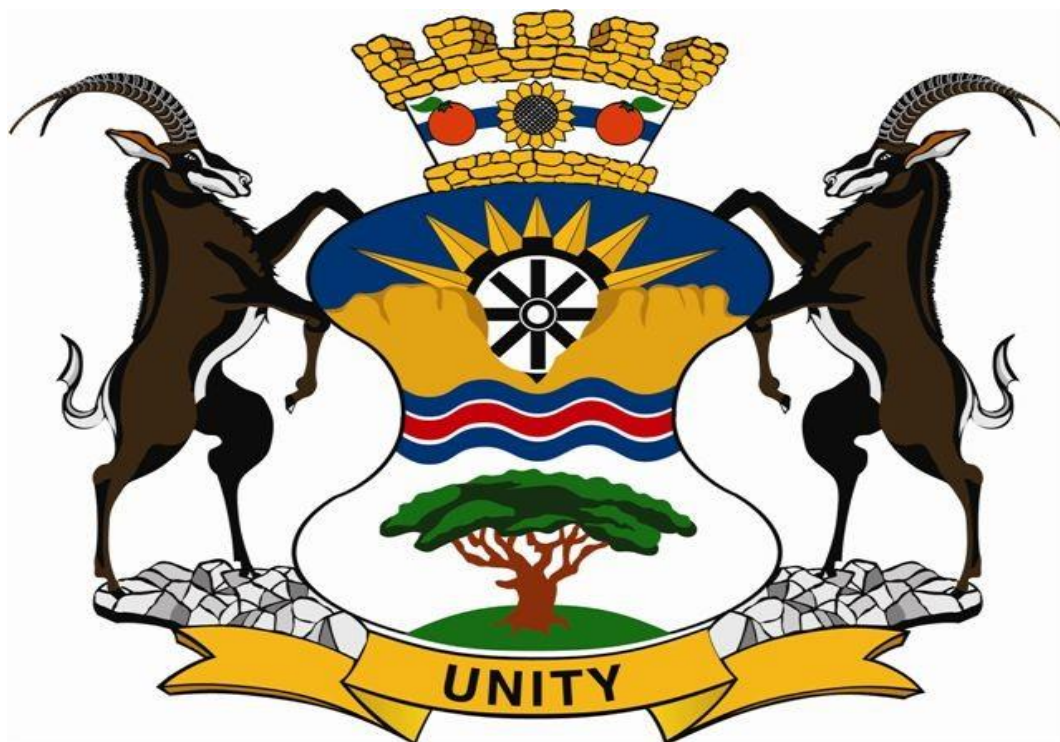
Bargaining Council.

Intergovernmental Management Forum which is established in terms of section 41 of the Constitution.

Office of the Municipal Manager.

Institute of the Internal Auditors (IIA).

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY



RUSTENBURG LOCAL MUNICIPALITY

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ABBREVIATIONS/ACRONYMS

Except if otherwise stated in this policy, the following abbreviations or acronyms will represent the following words:

CFO	-	Chief Financial Officer
COO	-	Chief Operations Officer
EM	-	Executive Manager
MIG	-	Municipal Infrastructure Grant
RLM	-	Rustenburg Local Municipality
MFMA	-	Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	-	Rustenburg Local Municipality's Municipal Public Account Committee
MM or AO	-	Municipal Manager or Accounting Officer
SAPS	-	South African Police Services
MSA	-	Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	-	Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	-	Remuneration of Public Office Bearers Act
Policy	-	Policy on unauthorised, irregular, fruitless and wasteful expenditure
MBRR	-	Municipality Budget Rules and Regulations

1. INTRODUCTION

- 1.1. In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “MFMA”), the accounting officer is responsible for managing the financial affairs of Rustenburg Local Municipality (RLM) and he/she must, for this purpose, inter alia:
- a) Take all reasonable steps to ensure that unauthorised, irregular; fruitless and wasteful expenditure and other losses are prevented; and
 - b) Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of RLM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- 1.2. This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

2. OBJECTIVE

- 2.1. This document sets out RLM’s policy and procedures with regards to unauthorised, irregular, fruitless and wasteful expenditure.
- 2.2. This policy aims to ensure that, amongst other things:
- a) Unauthorised, irregular, or fruitless and wasteful expenditure is detected, processed, recorded, and reported in a timely manner;
 - b) Officials and councillors have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorised, irregular, fruitless and wasteful expenditure;
 - c) RLM’s resources are managed in compliance with the MFMA, the municipal regulations and other relevant legislation; and
 - d) All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular, fruitless and wasteful expenditure.

3. ENABLING LEGISLATION

The following enabling legislation sets the precedent for the development of RLM's unauthorised, irregular, fruitless and wasteful expenditure Policy:

- a) The Constitution of the Republic of South Africa, 1996, Act No 108 of 1996;
- b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- c) The Remuneration of Public Office Bearers Act;
- d) Municipal Systems Act, 2000, Act No 32 of 2000;
- e) MFMA Circular 68;
- f) Any other legislation, regulation or circular that may impact this policy; and
- g) Municipal Structures Act No. 117 of 1998.

4. APPLICATION OF THIS POLICY

4.1. This policy applies to all officials and councillors of RLM.

4.2. This policy should be read in conjunction with the following of RLM:

- a) Delegations of Authority;
- b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
- c) Policy on financial misconduct;
- d) Breach of the Code of Conduct for Municipal Staff Members; and
- e) Breach of the Code of Conduct for Councillors.

4.3. Officials and Councillors must ensure all instances of unauthorised, irregular expenditure as well as fruitless and wasteful expenditure is prevented where possible and is detected and reported in a timely manner.

5. DEFINITIONS

Except if otherwise indicated:

“Councillor” means member of municipal council of RLM.

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

“Financial Misconduct” means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the Act.

“Irregular expenditure”, in relation to a municipality or municipal entity, means:

- a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);
- d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of RLM or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or
- e) excludes expenditure by a municipality which falls within the definition of „unauthorised expenditure“.

“Official”, in relation to a RLM, means:

- a) an employee of RLM;
- b) a person seconded to a RLM or to work as a member of the staff of the RLM; or
- c) a person contracted by a RLM to work as a member of the staff of the RLM or otherwise than as an employee.

“Overspending” means:

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

“Political Office Bearer” means the speaker, executive mayor, mayor, deputy mayor, or a member of the executive committee as referred to in the Municipal Structures Act.

“Prohibited expenditure” in relation to this policy means unauthorised, irregular, fruitless and wasteful expenditure;

“Senior Manager” has the meaning assigned to it in section 1 of the MFMA and in relation to RLM refers to Executive Managers, CFO and COO.

“Unauthorised expenditure”, means:

any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- a) overspending of the total amount appropriated in the municipality’s approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- f) a grant by RLM otherwise than in accordance with the MFMA.

“Vote” means:

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

6 UNAUTHORISED EXPENDITURE

- 6.1. Rustenburg Local Municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 6.2. Expenditure incurred within the ambit of RLM’s virement policy is not regarded as unauthorised expenditure.
- 6.3. Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or

organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure.

6.4. Unauthorised expenditure would include:

- a) Any overspending in relation to both the operational budget and capital budget of the municipality;
- b) Overspending in relation to each of the votes on both the operational budget and capital budget;
- c) Use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget;
- d) Funds that have been designated for a specific purpose or project within a departments vote may not be used for any other purpose;
- e) Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure;
- f) Any grant to an individual or household unless it is in terms of the municipality's indigent policy, bursary scheme, corporate social responsibility policy, councillors discretionary grant or the grants-in-aid;
- g) Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
- h) Any overspending on non-cash items, for example depreciation, impairments, provisions.

6.5 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner

6.6 Expenditures that are NOT classified as unauthorized expenditure

Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:

- i. Any over-collection on the revenue side of the budget as this is not an expenditure; and
- ii. Any expenditure incurred in respect of:
 - any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
 - re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a „vote“ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and

- overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a „vote“ on the main budget Table A5.

6.6.1. Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:

- a). To defray expenditure authorised in terms of section 26 (4) of the MFMA, [Section 26: Consequences of failure to approve a budget before the start of the budget year];
- b). To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [Section 29: Unforeseen and unavoidable expenditure] failing which the unforeseen /unavoidable expenditure is unauthorised;
- c). re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
- d). Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [Section 12: Relief, charitable, trust or other funds];
- e). To pay over to a person or organ of state money received by the RLM on behalf of that person or organ of state, including—
 - (i) money collected by the RLM on behalf of that person or organ of state by agreement; or
 - (ii) any insurance or other payments received by the RLM for that person or organ of state;
- f). To refund money incorrectly paid into a bank account;
- g). To refund guarantees, sureties and security deposits;
- h). For cash management and investment purposes in accordance with section 13 [Section 13: Cash Management and Investments]; and
 - i). To defray increased expenditure in terms of section 31 [Section 31: Shifting of funds between multi-year appropriations].

6.6.2 Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

7 IRREGULAR EXPENDITURE

7.1. Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality“ supply chain management policy.

- 7.2. Irregular expenditure is actually expenditure that is in violation of some or another rocedural/legislative requirement as specified in the MFMA.
- 7.3. Irregular expenditure excludes unauthorised expenditure.
- 7.4. Although a transaction or an event may trigger irregular expenditure, a Council will only identify irregular expenditure when a payment is made. The recognition of irregular expenditure must be linked to a financial transaction.
- 7.5. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.
- 7.6. Remuneration of councillors
 - 7.6.1. Payments to RLM councillors cannot exceed the upper limits of the salaries, allowances and benefits for those councillors as promulgated in the Public Officers Bearers Act.
 - 7.6.2. Any remuneration paid or given in cash or in kind to a person as a councillor or as a member of a political structure of RLM otherwise than in accordance with 7.6.1 including any bonus, bursary, loan, advance or other benefit, must be classified as irregular expenditure.
- 7.7. Irregular staff appointments
 - 7.7.1. No person may be employed in RLM unless the post to which he or she is appointed, is provided for in the RLM"s staff establishment of the municipality as approved by the council.
 - 7.7.2. Any person who takes a decision contemplated in subparagraph (7.7.1) knowing that such decision is unlawful, will be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.
- 7.8. Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible and are detected and reported in a timely manner.

8. FRUITLESS AND WASTEFUL EXPENDITURE

- 8.1. All officials and councillors must always act cautiously when spending public money and ensure that they abide by the public and accountability principles which are to promote "efficient, economic and effective use of resources and the attainment of value for money".

- 8.2. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.
- 8.3. This type of expenditure is incurred where no value for money is received for expenditure or the use of resources. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.
- 8.4. Expenditure incurred that has been budgeted for (authorised) and was not regarded as irregular expenditure could be classified as fruitless and wasteful expenditure.
- 8.5.1 An expense is only fruitless and wasteful in terms of this policy if:
- (i) It was made in vain (meaning that the municipality did not receive value for money) and;
 - (ii) and would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned did not carelessly or negligently cause the expenditure to be incurred by the municipality furthermore another official or councillor under the same circumstances would not have been able to avoid incurring the same expenditure).
- 8.5.2 In determining whether expenditure is fruitless and wasteful, officials and councillors must apply the requirement of reasonable care as an objective measurement to determine whether or not a particular expenditure was fruitless and wasteful, that is-
- a) Would the average man (in this case the average experienced official or councillor) have incurred the particular expenditure under exactly the same conditions or circumstances? and
 - b) Is the expenditure being incurred at the right price, right quality, right time and right quantity?
- 8.6 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

9 REPORTING ON UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 9.1. Reporting of unauthorised, irregular, fruitless and wasteful expenditure must be done at the appropriate level, as this could constitute financial misconduct as follows:
- a) a Councillor of a municipality, must be reported to the Speaker of the council;
 - b) the municipal manager and speaker, must be reported to the mayor;
 - c) executive managers or the chief financial officer, or the chief operating officer of a municipality, must be reported to the municipal manager;

- d) All cases of prohibited expenditure reported as per a), b) and c) above must be referred to MPAC for investigation unless the allegations are frivolous, vexatious, speculative or obviously unfounded; and
 - e) officials below executive management level of the municipality must be reported to the CFO unless in the professional opinion of the CFO or MM the nature or the amount of the prohibited expenditure warrants the case to be referred to MPAC.
- 9.2. All reports made by officials, councillors must be treated with utmost confidentiality.
- 9.3. The MM must promptly inform the Mayor, the MEC for local government in the Province and the Auditor-General, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality:
 - a) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
 - b) the steps that have been taken:
 - To recover or rectify such expenditure; and
 - To prevent a recurrence of such expenditure.
- 9.4. All expenditure classified as unauthorised, irregular, fruitless and wasteful expenditure must be reported to:
 - a) The Finance Portfolio Committee on a monthly basis;
 - b) Mayoral Committee on a monthly basis;
 - c) Council on a quarterly basis;
 - d) MPAC on a quarterly basis; and
 - e) Audit Committee on a quarterly basis.
- 9.5. In accounting for unauthorised, irregular, fruitless and wasteful expenditure, municipal manager or delegated officials (as may be relevant) must ensure that:
 - a) All confirmed unauthorised, irregular, fruitless and wasteful expenditure must be recorded in separate account, in the accounting system of RLM, created for each of the above types of expenditure;
 - b) All such expenditure is disclosed in the annual financial statements as required by the MFMA and treasury requirements; and
 - c) Details pertaining to unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the Municipality's Annual Report.

10. MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 10.1. Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure:
- a) This register will be maintained by the CFO for all officials other than the CFO and MM;
 - b) A separate register must be maintained by the MM for expenditure incurred by CFO;
 - c) A separate register must be maintained by the Mayor for expenditure incurred by the MM; and
 - d) The Speaker will maintain a register for expenditure incurred by the Mayor and Councillors.
- 10.2. These registers must be updated on a monthly basis.

11. INVESTIGATIONS OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 11.1. MPAC must institute an investigation of all prohibited expenditure reported in terms of clause 9.1. (d), above.
- 11.2. The CFO must seek the Municipal Managers approval to investigation all prohibited expenditure reported to him/her in terms of clause 9.1(e) unless the allegations are frivolous, vexatious, speculative or obviously unfounded.
- 11.3. Once the nature of the expenditure is confirmed as unauthorised, irregular, fruitless and wasteful expenditure, the person to whom the prohibited expenditure was reported in terms of clause 9.1 above must institute the necessary procedures which could include disciplinary as well criminal proceedings.

12. DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 12.1. After having followed a proper investigation, as per paragraph 11 above, the MPAC or the CFO as the case may be must determine whether there is a prima facie case and that a Councillor or official made, permitted or authorized prohibited expenditure.
- 12.2. If a prima facie case has been established, as per paragraph 12.1 above, then MPAC, mayor or municipal manager (as may be relevant) must institute disciplinary action as follows:
- a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:

- (i) contravened a provision of the MFMA which resulted in prohibited expenditure; or
- (ii) made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
- b) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an prohibited expenditure constitute a breach of the Code; and
- c) Breach of the Code of Conduct for Councillors: in the case of a Councillor, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in prohibited expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.

12.3. The MPAC, mayor or municipal manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases of alleged:

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

12.4. The Mayor must take all reasonable steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if:

- a) The charge is against the MM; or
- b) The MM fails to comply with the above paragraph.

13. RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

13.1. The MM or delegated person must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:

- a) in the case of unauthorised expenditure, is
 - i). authorised in an adjustment budget; OR
 - ii) certified by the municipal council, after investigation by MPAC, as irrecoverable and is written off by council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by MPAC, certified by council as irrecoverable and written off by council.

13.2. Irregular expenditures resulting from breaches of the Public Office-Bearers Act must be recovered from the Councillor to whom it was paid.

- 13.3. Once it has been established who is liable for the unauthorised, irregular, fruitless and wasteful expenditure, the Municipal Manager must in writing request that the liable Councillor or official pay the amount within 30 days or in reasonable instalments.
- 13.4. Without limiting liability in terms of the common law or other legislation, the MM must recover any such expenditure, in full, from official or Councillor where:
- a) In the case of a Councillor, the Councillor knowingly or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, instructed an official of RLM to incur the expenditure; and
 - b) In case of the official, the official deliberately or negligently incurred such expenditure.
- 13.5. The fact that the Council may have approved the expenditure for writing off or deemed it to be irrecoverable is no excuse in:
- a) Either disciplinary or criminal proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such unauthorised, irregular or fruitless and wasteful expenditure; or
 - b) Recovery of such expenditure from such person.
- 13.6. If the official or councillor fails to make satisfactory payment arrangements or fails to honour payment arrangements made, the amount owed for prohibited expenditure must be recovered through the normal debt collection process of the municipality.

14 CONSEQUENCES OF NON-COMPLIANCE

- 14.1. Any official or councillor who does not comply with their reporting duties in terms of this policy could be found guilty of Financial Misconduct.
- 14.2. Any councillor or official of RLM will be committing an act of financial misconduct if that councillor or official deliberately or negligently makes or permits, or instructs another official of RLM to make, an unauthorised, irregular or fruitless and wasteful expenditure.
15. **PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
- 15.1. If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation, threats such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM or the Mayor where applicable.
- 15.2. The MM or Mayor must immediately take appropriate action to ensure that protection of the official or councillor after receiving the above report.

- 15.3. Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official concerned, the MM or the Mayor, where applicable.

16 EFFECTIVE DATE

This policy will be effective upon adoption by Council.

17 REVIEW OF POLICY

This policy must be reviewed and updated:

- a) Annually in line with the budget cycle and submitted with the budget policies; or
- b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

SPEAKER OF RUSTENBURG LOCAL MUNICIPALITY

Date: