

**DRAFT  
ASSET  
MANAGEMENT  
POLICY  
&  
PROCEDURES  
MANUAL  
  
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.

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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 loss 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 consistent 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.

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### **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;

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- 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: FINANACIAL 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.

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- 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.

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- 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.

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- 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

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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**

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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

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funded out of capital budget votes in line with IDP and not THROUGH OPERATIONAL BUDGET.

### **PART 3.2.1 – PHYSICAL RECEIPTING AND MANGEMENT**

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**

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### **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 advice the CFO whenever an asset is temporarily relocated or re-assigned from the location. In this case, the Departmental Head must advice 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 31October and 30April 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;

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- 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.

### **Disposing asset which could not be verified with in the reporting period:**

Not found assets will only be considered for wright-off within the current reporting period also by the nature of such an asset. Generally, only assets verified as a not found for two consecutive years are considered as assets which most probably does not or no longer exist. There is a risk unnecessarily writing-off not found assets on a yearly basis, this is because most assets move around and can be "missed verified" while assets are in move or in the event where natural disaster prohibits certain asset verifications. Therefore, Not found assets are only disposed-off upon successfully verified as a not found for the second consecutive financial year.

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

#### **IDENTIFICATION & LOCATION**

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

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- 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

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- 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)	<b>Single transfer of movable assets</b> (To be used for all temporary or permanent movement or transfer of assets.)	RLM 001	Chapter 6
2)	<b>Mass transfer of movable assets</b> (To be used for all temporary or permanent movement or transfer of assets.)	RLM 002	Chapter 6
3)	<b>Monthly Asset Certificate</b> (To be submitted by Directors on monthly basis)	RLM 003	Chapter 6
4)	<b>Employee Clearance Certificate</b> (To be signed when <b>employee leaves service</b> of RLM)	RLM 004	Chapter 6
5)	<b>Asset handed-in at central stores</b> (To be used in respect of all broken, damaged, missing as well as eventually obsolete/redundant assets,)	RLM 005	Chapter 6
6)	<b>Appointment of asset controller</b> (Must be completed for all appointments of asset controllers.)	RLM 006	Chapter 6
7)	<b>Donation Received Form</b>	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

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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

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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

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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.

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Investment assets shall be recorded in the asset register in the same manner as another asset.

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

An expected valuer shall be engaged by the municipality to undertake such valuations.

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**

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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 thorough 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

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- 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: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES.**

Only expenses incurred in the enhancement of an asset (in the form of improved or increased services or benefits flowing from the use of such asset) or 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 non-compliance may have on the useful operating life of the asset concerned.

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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.

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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;

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- 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 cause 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 exchanged 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.

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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.

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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.

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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.

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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**

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.

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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

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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 DEFINATIONS

**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 is in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no.117 of 1998) and being the head

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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.

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**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)**

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- 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)
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**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.

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- 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 mayor 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.**

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- 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**

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- 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.

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- 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 **30<sup>th</sup> 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.

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- 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 .

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- 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 be 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.

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- 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 15<sup>th</sup> April of each year, to enable the year-end processing to be completed timeously. Losses occurring after the 15<sup>th</sup> 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.

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- 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**

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### **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 where 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.

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- 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.

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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

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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 30<sup>th</sup> 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.

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### **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.

### **4.3.6.10 Impairment of assets**

In our approach we rely mostly on the department heads to report to the asset department when occurrences as listed under 'GRAP 21 paragraph 23' have taken place.

In most instances impairment review is limited to the review of possible "Physical impairment" of the assets. Therefore, this impairment review method is directly linked to the high-level condition assessment carried out on the assets which have been physically verified.

**Condition assessment**

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Condition assessment of assets physically verified, was determined in terms of the table below.

Grade	Description	Detailed description
1	Very good	Sound structure, well maintained. Only normal maintenance required.
2	Good	Serves needs but minor deterioration (< 5%). Minor maintenance required.
3	Fair	Marginal, clearly evident deterioration (10-20%). Significant maintenance required.
4	Poor	Significant deterioration of structure and/or appearance. Significant impairment of functionality. Significant renewal/upgrade required.
5	Very poor	Unsound, failed needs reconstruction/ replacement (> 50% needs replacement)
6	Broken	No further life (impair immediately if any residual value is available)

Assets are assess as IN USE or NOT IN USE, and in most cases supported with a reason why. Asset's condition ratings are based on prior year assessments vs current physical appearance and functionality.

The assessment is made in terms of, "Does the asset in question still fulfil its function?" and "Is there any physical damage that can be visually identified, which impacts the role or service potential of the asset?"

Factors that contributes to the condition assessment are wear & tear, rust, structural breaks, structural cracks, structural bends, leaking, damaged or not working components, oil leaks, open circuits, cuts in wires and vandalism.

In the event an assets condition had visually deteriorated drastically - in comparison to the prior year's assessment - the condition are then dropped to the suitable condition grade.

### Impact of the condition assessment

Once the condition of an asset is determined the condition rating is applied in order to ensure that the value of the asset is correctly reflected.

This is done by reducing the carrying value of the asset based on its condition, as per the table below:

Condition	Description	Rating
1	Very Good	95%
2	Good	70%
3	Fair	45%
4	Poor	25%
5	Very Poor	10%
6	Broken	0%

Where an assets condition decreased by more than one level in one year, the asset was deemed to be impaired and thus the carrying value, if more than the specific condition

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rating, was adjusted to reflect the rating value. The additional impairment will be equal to the difference between the carrying value and the recoverable service amount.

The following formula is applied:

$$\begin{aligned}\text{Impairment} &= \text{Cost} \times (\text{Rating} / 100) = \text{Recoverable Service Amount} \\ &= \text{Recoverable Service Amount} - \text{Carry Value} \\ &= \text{Impairment effect}\end{aligned}$$

If the carry value is less than the recoverable service amount prior to impairment, such asset is left at carry value since the asset's objectives are within its condition rating.

### 4.3.6.11 Remaining Useful Life Adjustment of an asset

Refer to GRAP 17, paragraph 61 and 62 for assessing an assets RUL.

#### Condition assessment

The condition of the asset has a major impact with assessing an asset's RUL.

Asset's condition ratings are based on prior year assessments vs current physical appearance and functionality. The assessment was made in terms of, "Does the asset in question still fulfil its function?" and "Is there any physical damage that can be visually identified, which impacts the role or service potential of the asset?"

Factors that contributes towards the condition assessment of an asset are wear & tear, rust, structural breaks, structural cracks, structural bends, leaking, damaged or not working components, oil leaks, open circuits, cuts in wires and vandalism.

In the event were an assets condition had visually deteriorated drastically - in comparison to the prior year's assessment - with consensus of the official the condition was dropped to the suitable condition grade.

#### Impact of the condition assessment

Once the condition of an asset is determined the condition rating is applied in order to determine the calculated RUL.

This is done by adjusting the RUL of the asset based on its condition rating, as per the table below:

Condition	Description	Rating
1	Very Good	95%
2	Good	70%
3	Fair	45%
4	Poor	25%
5	Very Poor	10%
6	Broken	0%

The RUL is a key factor in determining the remaining period over which an asset will depreciate.

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### Approach

During the review of the RUL's of assets, we need to identify the assets deemed for adjustment. The identified assets are those in use with zero RUL and/or will depreciate to zero within the next 24 months. These assets are identified at the beginning of the reporting period. Assets which abide by this rule will therefore be adjusted to reflect their condition rating at year end.

$$\begin{aligned} \text{RUL} &= \text{EUL} \times (\text{Rating} / 100) \\ &= \text{RUL as at year end} \end{aligned}$$

### Example

EUL	Previous RUL	Adjustment	Depreciation	RUL at Year End
10	0.8	4.7	-1 year	4.5 Years

An asset with a 'Fair' condition must have 45% left of its Economic Useful life (EUL) at year end. If the EUL is 10 years, then the RUL should be 4.5 years at year end upon applying the condition assessment. In essence the asset should have started with a RUL of 5.5 at the beginning of the year in order to have a RUL of 4.5 after depreciation at year end.

#### 4.4 Maintenance of the Asset Register

##### 4.4.1 Information to be Included in the Asset Register

ACQUISTION	IDENTIFICATION & LOCATION	ACCOUNTING	PERFORMANCE	DISPOSAL	ACCOUNTING
<ul style="list-style-type: none"> <li>- Date</li> <li>- Amount</li> <li>- Supplier</li> <li>- Reference</li> </ul>	<ul style="list-style-type: none"> <li>- Asset Classification</li> <li>- Asset number</li> <li>- Bar-code</li> <li>- Description</li> <li>- Location</li> </ul>	<ul style="list-style-type: none"> <li>- Department</li> <li>- Custodian</li> <li>- Restrictions</li> <li>- Ownership</li> </ul>	<ul style="list-style-type: none"> <li>- Capacity</li> <li>- Performance measures</li> <li>- Condition assessment</li> <li>- Useful lives</li> <li>- Residual values</li> </ul>	<ul style="list-style-type: none"> <li>- Date</li> <li>- Amount</li> <li>- Capacity</li> <li>- Condition</li> <li>- Remaining useful life</li> <li>- Residual value</li> <li>- Reason</li> </ul>	<ul style="list-style-type: none"> <li>- Cost</li> <li>- Funding</li> <li>- Useful life</li> <li>- Remaining useful life</li> <li>- Residual value</li> <li>- Depreciation Method</li> <li>- Impairment</li> </ul>

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					- 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	7 - 80
Emergency equipment	3 - 12
Furniture and fixtures	5 - 15
Heritage assets	Indefinite
Infrastructure Electricity	5 - 50
Infrastructure Roads and Transport	5 - 100

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Infrastructure Sewerage	5 - 70
Infrastructure Water	5 - 70
Intangible assets	2 - 3
Landfill Site	20 - 25
Land	Indefinite
Land Inventory	Indefinite
Motor vehicles	5 - 15
Office equipment	3 -10
Other-Library	7 - 8
Plant and machinery	2 - 15
Specialised vehicle	7 - 20

**Residual values are applied to the following classes at the specified rates:**

Vehicles: 30% of the original cost price.

Furniture, Fittings and Office Equipment: 10% of the original cost price.

Other Assets:10% of the original cost price.

Computers: 10% of the original cost price.

Infrastructure: Nil due to the fact that it is not the intention to ever sell infrastructure assets.



## RUSTENBURG LOCAL MUNICIPALITY

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# 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 Councillor or Former Councillor which is arranged by and held under the name of the Council. The family of the deceased Councillor 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.

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## **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.
- 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.
- 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.

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### **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.
- 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.

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- 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.

# **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;

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- (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**

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**INTRODUCTORY PROVISIONS**

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**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.

<b>NO</b>	<b>WORD/EXPRESSION</b>	<b>DEFINITION</b>
<b>"A"</b>		
1.1	<b>"annual budget"</b>	Means the budget approved by the Councillor any particular financial year, and shall include any adjustments to such a budget.
1.2	<b>"annually"</b>	Means once every financial year.
1.3	<b>"applicant"</b>	Means the person applying to the Municipality to be afforded the status of a Registered Indigent in terms of this policy.
<b>"B"</b>		
1.4	<b>"basic municipal service"</b>	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.
<b>"C"</b>		
1.5	<b>"Chief Financial Officer"</b>	Means the person appointed by the Council and designated by the Municipal Manager to manage the financial ____

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		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	<b>"child"</b>	Means a minor person.
1.7	<b>"Constitution"</b>	Means the Constitution of the Republic of South Africa, 108 of 1996.
1.8	<b>"consumer"</b>	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	<b>"Council"</b>	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	<b>"Credit Control &amp; Debt Collection Policy" and "Credit Control &amp; Debt Collection By-Law"</b>	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	<b>"customer"</b>	<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>



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		<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 &amp; 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>
<b>"D"</b>		
1.12	<b>"deemed indigent"</b>	<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>



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		Who has a total house hold income not exceed that of a registered indigent according to data available to the municipality.
<b>"E"</b>		
1.13	<b>"equitable share"</b>	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.
<b>"F"</b>		
1.13	<b>"free basic alternative energy"</b>	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	<b>"free basic electricity"</b>	Means a limited amount of free electricity deemed necessary to provide basic services as determined and funded by the National Government.
1.15	<b>"free basic sanitation"</b>	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	<b>"free basic water supply"</b>	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



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		Notice 22355 of 8 June 2001, as amended from time to time, or any substitution for that regulation.
1.17	<b>"financial year"</b>	Means the period starting from 1 July in any year and ending on 30 June of the following year.
<b>"H"</b>		
1.18	<b>"household"</b>	Means the total number of persons who permanently reside in and occupy a single premise for residential purposes.
<b>"I"</b>		
1.19	<b>"Indigent Household"</b>	Means a household headed by a Registered Indigent.
1.20	<b>"Indigent Management System"</b>	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	<b>"Indigent Policy "or "this policy"</b>	Means the Indigent Policy, adopted by the Council of the Municipality.
1.22	<b>"Indigent Register"</b>	Means a record of the Registered Indigents established and maintained by the Municipality as per the provisions of this policy.
1.23	<b>"indigent support"</b>	Means the financial and other support, discounts, subsidies and assistance which the Municipality renders to Registered Indigents and households headed by Registered Indigents.
<b>"M"</b>		
1.24	<b>"Municipal Finance Management Act" or "MFMA"</b>	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 and the regulations promulgated in terms of this act.
1.25	<b>"Municipal Manager"</b>	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	<b>"Municipality"</b>	<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 &amp; BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <ul style="list-style-type: none"><li>(a) its successor in title; or</li><li>(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</li><li>(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.</li></ul>
1.27	<b>"Municipal Property Rates Act" or "MPRA"</b>	Means the Local Government: Property Rates Act, Act 6 of 2006 and the regulations promulgated in terms thereof.
1.28	<b>"municipal service" or "services"</b>	<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"><li>(a) such service is provided or to be provided by the Municipality through an internal mechanism contemplated in section 76; and</li><li>(b) fees, charges or tariffs are levied in respect of such service or not.</li></ul>



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1.29	<b>"municipal tariff" or "tariff"</b>	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.
<b>"O"</b>		
1.30	<b>"occupier"</b>	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	<b>"owner"</b>	<p>Means:</p> <ul style="list-style-type: none"><li>(a) the person in whose name the property is registered;</li><li>(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;</li><li>(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;</li><li>(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;</li><li>(e) In relation to: _____</li></ul>



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		<ul style="list-style-type: none"><li>(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;</li><li>(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;</li></ul> <p>(f) any legal entity including but not limited to:</p> <ul style="list-style-type: none"><li>(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;</li><li>(ii) any provincial or national government department, or local authority;</li><li>(iii) any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and</li><li>(iv) any embassy or other foreign entity in whose name the property is registered;</li></ul> <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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<b>"P"</b>		
1.32	<b>"premises"</b>	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	<b>"prepayment meter"</b>	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	<b><del>"Programme Officer"</del></b>	<del>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.</del>
1.35	<b>"property"</b>	<p>Means:</p> <ul style="list-style-type: none"><li>(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;</li><li>(b) a right registered against immovable property in the name of a person excluding a mortgage bond registered against the property;</li><li>(c) any piece of land, the external surface boundaries of which are delineated on:<ul style="list-style-type: none"><li>(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;</li><li>(ii) a sectional plan registered in terms of the Sectional Titles Act, Act 95 of 1986;</li></ul></li></ul> <p>which is situated within the area of the Municipality;</p>



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		(d) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or  (e) public service infrastructure.
<b>"R"</b>		
1.36	<b>"rates"</b>	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	<b>"Rates Policy"</b>	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	<b>"Registered Indigent"</b>	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.
<b>"S"</b>		
1.39	<b>"service agreement"</b>	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	<b>"Structures Act"</b>	Means the Local Government: Municipal Structures Act, Act 117 of 1998 and the regulations promulgated in terms thereof.
1.41	<b>"subsidised services"</b>	Means the municipal services, the costs of which are either subsidised in full or in part by the Municipality.
1.42	<b>"Systems Act"</b>	Means the Local Government: Municipal Systems Act, Act 32 of 2000 and the regulations promulgated in terms thereof.

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"T"		
1.43	<b>"Tariff Policy"</b>	Means the Tariff Policy of the Municipality adopted in terms of the provisions of section 74(1) of the Systems Act.
1.44	<b>"Tariff Schedule"</b>	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	<b>"tenant"</b>	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	<b><del>"Verification Officer"</del></b>	<del>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.</del>

## 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

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MPRA	Local Government: Municipal Property Rates Act, Act 6 of 2006
UIF	Unemployment Insurance Fund

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### **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.

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### **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.

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### **S COMMENCEMENT AND VALIDITY**

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

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### **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. \_\_\_\_\_

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- (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.

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## **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.

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## **8 POLICY OBJECTIVES**

The objectives of this policy are the following:

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- (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.

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## **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
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- (h) The Waste Act, Act 59 of 2008 and the Regulations thereto



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**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.

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**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:
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- (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.
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## **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.



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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 <b>National Budget pronouncement on government grants</b>
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 subparagraph (a) above, who has concluded a service agreement



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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



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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 the amount as determined by Council from time to time. This amount will be aligned to the National Budget pronouncement on government grants.
  - i) For persons below the age of 65, who are earning a total house hold income not exceeding 4 (four) times the amount received for government social pension grants
  - ii) For persons 65 years of age and above, earning in excess of the above threshold and below R20 000.00 gross household income, a benefit equal to half of the total benefits for registered indigents.
- (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.

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- (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 R200 000.

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- (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.



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**CHAPTER 2**

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**ASSISTANCE PROCEDURES**

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**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.

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- (4) The Municipality must communicate the following to the community:

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- (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.

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**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.

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**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



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- (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) A letter of recommendation from the Ward Councilor in the ward of residence
  - (h) 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.

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- (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.

The Municipality may from time to time perform site visits to the indigent applicants' properties. This can be done with the assistance of a ward councilor.

- (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".~~

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~~(3) — Verification — Site Visit~~

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~~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.~~

**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 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 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.



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## **CHAPTER 3**

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### **INDIGENT SUPPORT**

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#### **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: \_\_\_\_\_

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**(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**



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- (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 National 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**



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- (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:



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- (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.

**(S) 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 arrear debt of a registered indigent.~~

**(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.



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**CHAPTER 4**

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**PROCESS MANAGEMENT**

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**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) The validity cycle for approved indigents **below the age of 65** shall run from the 1<sup>st</sup> (first) of July to the 30<sup>th</sup> (thirtieth) of June of each year, in line with the municipalities financial year.
- (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. Such write off is delegated to the Chief Financial Officer, or delegated authority
- (2) The Municipality may implement restrictions on the provisions of municipal services to Registered Indigents where the said municipal services are subsidized 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 utilized 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.
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## **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;

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- (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.

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**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 Municipal Manager or delegated authority

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**27 EXIT PROGRAMME**

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- (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.



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**CHAPTER 5**

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**MISCELLANEOUS PROVISIONS**

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**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.

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**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.

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**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 subsidized 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 subsidized 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.

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**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.

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## **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.*

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**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.

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**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.

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**3S      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.



**AGENDA: SPECIAL COUNCIL: 31 MAY 2023****AGENDA: VIRTUAL COUNCIL: 25 MAY 2021****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 R1S0 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:					



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<i>(delete which is not applicable)</i>					
<b>1 Do you own a motor vehicle?</b>					<b>YES / NO</b>
<b>If Yes, what is the registration number?</b>					
<b>2 Do you have a clothing/furniture account?</b>					<b>YES / NO</b>
<b>3 Do you have any other business activity on the premises to which the municipal services are rendered or relate to?</b>					<b>YES / NO</b>
<b>If Yes, what is your gross monthly income from that business?</b>					<b>R</b>
<b>4 Do you have tenants in your premises?</b>					<b>YES / NO</b>
<b>If Yes, how many tenants do you have?</b>					
<b>What is your total rental income?</b>					<b>R</b>
<b>S Do you own other property?</b>					<b>YES / NO</b>
<b>If Yes, address of property(ies):</b>					
<b>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:</b>					
<b>ID Number</b>	<b>Surname</b>	<b>Initials</b>	<b>Employed (Yes/No)</b>	<b>Gross monthly income</b>	<b>Source of income</b>

**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



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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;



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- (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**



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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:**



**AGENDA: SPECIAL COUNCIL: 31 MAY 2023****AGENDA: VIRTUAL COUNCIL: 25 MAY 2021****VERIFICATION FORM**

<b>Name: Verification Officer</b>	
<b>Ward number:</b>	
<b>Address visited:</b>	
<b>Date visited:</b>	
<b>Individual consulted:</b>	
<b>Declaration by Verification Officer</b>	
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	
<b>If false or incomplete, complete the following:</b>	
<b>Recommendation:</b>	
<b>Reasons for my decision:</b>	
I, _____ (full names), recommend that support is not granted	
<b>SIGNED</b>	<b>DATE</b>
<b>If information found to be correct, complete the following:</b>	



**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**AGENDA: VIRTUAL COUNCIL: 25 MAY 2021**

I,  
names), recommend that support be granted

(full

**SIGNED**

**DATE**

Date received back from Verification Officer:

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

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# **RUSTENBURG**

## **LOCAL MUNICIPALITY**

### **RATES POLICY**

**P R E A M B L E**

- (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.

# **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
<b>“A”</b>		
1.1	<b>“account”</b>	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	<b>“agent”</b>	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.

<b>“C”</b>		
1.3	<b>“certificate of occupancy”</b>	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	<b>“consent use”</b>	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	<b>“Council”</b>	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	<b>“current monthly rates”</b>	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.
<b>“E”</b>		
1.7	<b>“exemption”</b>	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.
<b>“F”</b>		
1.8	<b>“financial year”</b>	Means the period commencing on the 1 <sup>st</sup> day of July in any calendar year and ending on the 30 <sup>th</sup> day of June of the following calendar year.
<b>“I”</b>		
1.9	<b>“Income Tax Act”</b>	Means the Income Tax Act, Act 58 of 1962.
1.10	<b>“indigent support”</b>	Means the financial and other support, discounts, subsidies and assistance which the Municipality

		renders to Registered Indigents and households headed by Registered Indigents.
<b>“L”</b>		
1.11	<b>“Land Use Management Scheme”</b>	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	<b>“low cost residential property”</b>	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.
<b>“M”</b>		
1.13	<b>“MFMA”</b>	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.14	<b>“MPRA”</b>	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	<b>“MPRA Rate Ratio Regulations”</b>	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	<b>“Municipality”</b>	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 &amp; 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>
<b>“N”</b>		
1.17	<b>“non-residential property”</b>	Means all properties (including all undeveloped properties) other than those defined as “residential property”.
<b>“P”</b>		
1.18	<b>“public service infrastructure”</b>	Means public service infrastructure as defined in the Municipal Property Rates Act, Act 6 of 2004.
1.19	<b>Public service purpose properties</b>	Means a property owned and used by an organ of state such as hospitals or clinics, schools, pre schools, early childhood development centres, further education and training colleges, national and provincial libraries and archives, police stations, correctional facilities and courts of law.

1.20	<b>Properties owned by public benefit organizations and used for specified public benefit activities</b>	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.
<b>“R”</b>		
1.21	<b>“rateable property” and “property”</b>	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.
1.22	<b>“ratepayer”</b>	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.
1.23	<b>“rates”</b>	Means a municipal rate on property levied in terms of section 229(1)(a) of the Constitution and section 2(1) of the MPRA.
1.24	<b>“rebate”</b>	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.

1.25	<b>“reduction”</b>	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.
1.26	<b>“Registered Indigent”</b>	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
1.27		
<b>“S”</b>		
1.28	<b>“school”</b>	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.
1.29	<b>“Sectional Titles Act”</b>	Means the Sectional Titles Act, Act 95 of 1986.
1.30	<b>“Social housing”</b>	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.
1.31	<b>“State”</b>	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

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		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.
1.32	<b>“Structures Act”</b>	Means the Local Government: Municipal Structures Act, Act 117 of 1998.
1.33	<b>“Systems Act”</b>	Means the Local Government: Municipal Systems Act, Act 32 of 2000.
<b>“T”</b>		
1.34	<b>“technical and other colleges”</b>	Means a public college and a private college as contemplated in the Further Education and Training Colleges Act, Act 16 of 2006.
1.35	<b>“the/this policy”</b>	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.
1.36	<b>“threshold”</b>	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.
<b>“V”</b>		
1.37	<b>“valuation roll”</b>	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.
<b>“Z”</b>		
1.38	<b>“zoning”</b>	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.
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## **2. AIM AND PURPOSE**

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- (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**

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- (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**

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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**

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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**

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## **6. OPERATIONAL BACKGROUND AND PRINCIPLES**

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- (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**

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- (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) Properties owned by an organ of state and used for public service purposes.:

(i) It means a property owned and used by an organ of state such as hospitals, clinics, schools, pre schools, early childhood development centres, further education and training colleges, national and provincial libraries and archives, police stations, correctional facilities and courts of law.

(i) .

(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) Properties owned by public benefit organizations and used for specified public benefit activities :

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) Public service purpose properties**

Means a property owned and used by an organ of state such as hospitals or clinics, schools, pre schools, early childhood development centres, further education and training colleges, national and provincial libraries and archives, police stations, correctional facilities and courts of law.

- (n) 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.

- (o) 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.

(p) Sectional Title Garages

Refers to any garage within a residential sectional title scheme that has been registered as a separate sectional title unit.

(q) 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.

(r) Private Road

Refers to a road owned and maintained by a private individual, organisation or company rather than the government.

(s) Private Open Space

Refers to an outdoor area of a dwelling or residential building or land for the exclusive use of the occupants.

(t) **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**

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- (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**

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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**

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- (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**

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**12. SPECIAL RATING AREAS**

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- (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**

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- (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**

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- (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**

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- (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**

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- (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**

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- (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**

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- (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**

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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**

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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**

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- (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**

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- (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**

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- (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**

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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.

## **25. RATES CLEARANCE**

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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”.*

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### **2. Definition of a Rates Clearance Certificate**

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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. **Any payment received after the above mentioned period will no longer be considered for clearances but will be used to pay the account. The above paragraph is as a result of non compliance by the municipality that was raised by the Chief Registry of Deeds.**

**27. BY-LAWS TO GIVE EFFECT TO RATES POLICY**

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The Municipality must adopt by-laws to give effect to the implementation of this policy.

**28. POLICY REVIEW**

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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**

<b>NO.</b>	<b>CATEGORY / DESCRIPTION</b>	<b>APPLICABLE REBATE</b>
<b>1.</b>	<b><u>Exemptions:</u></b>	
<b>1.1</b>	<b>Residential</b>	<b>R 100000.00</b> (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)
<b>2.</b>	<b><u>Reductions:</u></b>	
<b>2.1</b>	<b>Partial or destruction of a property and/or improvements on such property</b>	___%
<b>2.2</b>	<b>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>	___%
<b>3.</b>	<b><u>Rebates:</u></b>	
	State owned or Organ of State owned properties (excluding properties zoned or used for residential purposes)	___%
	Residential Properties	___%
	Public schools	___%

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	Private schools	___%
	Public Service Infrastructure	30% (but not less than 30% in terms of the provisions of section 17(1)(a) of the MPRA)
	Privately owned towns	25%
<b>3.1</b>	<b>Agricultural/Farming Land:</b>	
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 <b>Schedule "C"</b> :	
	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 <b>Schedule "C"</b>, 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.	___%

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	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.	___ %
<b>3.2.</b>	<b>Farming, Business, Commercial and Industrial:</b>	
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)	
		___ %
<b>3.3.</b>	<b>Retired and/or disabled persons on residential property only, not receiving indigents, to be renewed every three years:</b>	<b>25%</b>



**SCHEDULE "B"**

**THE COSTS ASSOCIATED WITH EXEMPTIONS, REDUCTIONS,  
REBATES, EXCLUSIONS AND PHASING IN OF RATES**

FINANCIAL YEAR

NO.	COST ITEM	AMOUNT
<b>1.</b>	<b><u>Exemptions:</u></b>	
<b>1.1</b>	<b>Residential Property</b>	<b>R</b>
<b>1.2</b>	<b>Property owned by the Municipality</b>	<b>R</b>
<b>1.3</b>	<b>Property owned by Public Benefit Organisations:</b>	<b>R</b>
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
<b>2.</b>	<b><u>Reductions:</u></b>	
<b>2.1</b>	<b>Partial or Total Destruction of a property</b>	<b>R</b>
<b>2.2</b>	<b>Properties affected by Disaster</b>	<b>R</b>
<b>3.</b>	<b><u>Rebates:</u></b>	
<b>3.1</b>	<b>Categories of Property:</b>	<b>R</b>
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
<b>3.2</b>	<b>Categories of Owners of Property:</b>	<b>R</b>
3.2.1	Retired and/or Disabled persons	R
	<b>TOTAL COST:</b>	<b>R</b>



**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.

<b>Farm / Erf No.:</b>		<b>Portion No.:</b>	
<b>Farm Name:</b>			

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.													
<b>Municipal Account Number:</b>													
<b>Registered Owner of Property:</b>													
<b>(full names)</b>													
<b>Physical Address of Owner:</b>													
<b>Postal Address of Owner:</b>													
<b>Telephone No.:</b>	<b>Home:</b>							<b>Work:</b>					
	<b>Cell:</b>							<b>Fax:</b>					
<b>E-mail Address:</b>													

**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
Arable – Dry	
Arable – Irrigation	
Pasture – Dry	
Pasture – Irrigation	
Grazing – Veld	
Cash Crop	
Home site and farmyard	
Other (specify)	

LIVE STOCK INFORMATION	NUMBER OF LIVESTOCK
Cattle	
Sheep	
Poultry	
Goats	
Pigs	
Other (specify)	

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Building No.	Description	Size M <sup>2</sup>	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)

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(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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_;

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- (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:

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- (10) I/The owner is registered as a bona fide farmer with SARS, and the last tax assessment is attached hereto as proof;

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**SIGNATURE OF AUTHORISED  
PERSON ON BEHALF OF APPLICANT**

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**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.

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**COMMISSIONER OF OATHS FULL NAMES**

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**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.

<b>Erf:</b>		<b>Portion No.:</b>		<b>Suburb:</b>	
<b>Name of Enterprise:</b>					
<b>Registration No. of Enterprise:</b>					
<b>Municipal Account Number:</b>					
<b>Registered Owner of Property:</b>					
<b>(full names or organisation name)</b>					
<b>Usage (purpose for which the property is used):</b>					
<b>Physical Address of Enterprise:</b>					
<b>Postal Address of Enterprise:</b>					
<b>Telephone No.:</b>	<b>Home:</b>			<b>Work:</b>	
	<b>Cell:</b>			<b>Fax:</b>	
<b>E-mail Address:</b>					

The following documentation must be attached:

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- 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:

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- (7) I confirm that the enterprise creates jobs within the municipal area, in the following manner:

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- (8) I confirm that the enterprise is involved and contributes to social upliftment of the local community, in the following manner:

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- (9) I confirm that the enterprise established the following infrastructure for the benefit of the local community:

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\_\_\_\_\_  
SIGNATURE OF AUTHORISED  
PERSON ON BEHALF OF APPLICANT

\_\_\_\_\_  
DATE

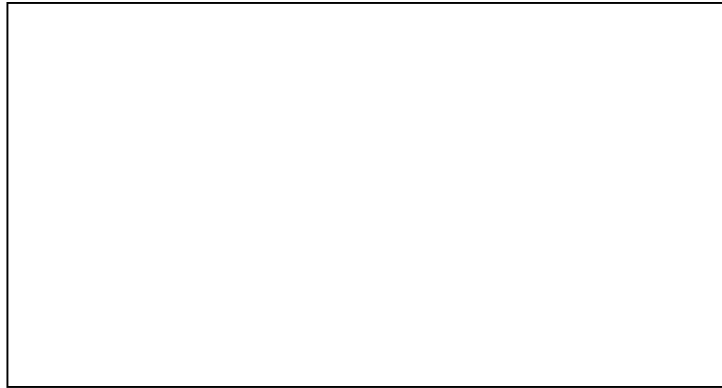
## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

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 1<sup>st</sup> 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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<b>Postal Address of Owner:</b>			
<b>Telephone No.:</b>	<b>Home:</b>		<b>Work:</b>
	<b>Cell:</b>		<b>Fax:</b>
<b>E-mail Address:</b>			

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 applicant)***do 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.

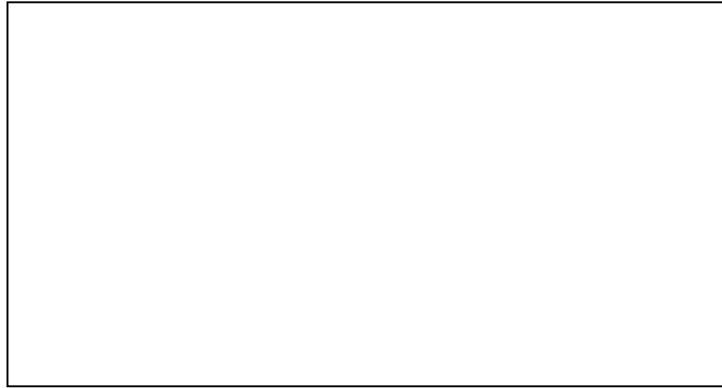
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**COMMISSIONER OF OATHS FULL NAMES**

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**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.**

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

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.

<b>Erf:</b>		<b>Portion No.:</b>		<b>Suburb:</b>	
<b>Municipal Account Number:</b>					
<b>Registered Owner of Property:</b> (full names or organisation name)					
<b>Physical Address of Owner / Organisation:</b>					
<b>Postal Address of Owner / Organisation:</b>					
<b>Total monthly income of owner (if exemption is for owner of residential property):</b>					
<b>Telephone No.:</b>	<b>Home:</b>			<b>Work:</b>	
	<b>Cell:</b>			<b>Fax:</b>	
<b>E-mail Address:</b>					

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

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

- (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.

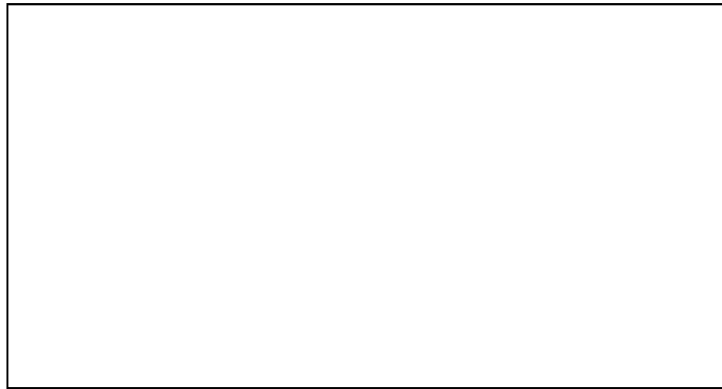
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**COMMISSIONER OF OATHS FULL NAMES**

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**SIGNATURE**

**COMMISSIONER OF OATH'S STAMP**



## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### AGENDA: COUNCIL: 28 MARCH 2023



### STUDY AID POLICY

#### Policy Governance

Policy Title	STUDY AID POLICY	
Role & Process	Responsible Individual Name and/or Date	Responsibility Accepted Signature
<b>DCSS Director</b>		
Policy Custodian	DCSS	
Policy Author	DCSS	
LLF Consultation Date		
LLF Consultation Reference	(ITEM #)	
Council Approval Date		
Council Approval Reference	(COUNCIL RESOLUTION NUMBER)	
<b>DCSS Director</b>		
Policy Approved		
Policy Inception Date	DATE OF APPROVAL AT COUNCIL	
Review Cycle Period	2 YEARS (AS AND WHEN NECESSARY)	
Review Start Date		
Review Completion Date	(AFTER NECESSARY CONSULTATION AND SUBSEQUENT APPROVAL)	
Legislative References	<ul style="list-style-type: none"><li>• Constitution of RSA Employment Equity Act, 1998 (Act 55 of 1998);</li><li>• Skills Development Act, 1998 (Act No. 97 of 1998);</li><li>• The Basic Conditions of Employment Act, 1997 (Act No.75 of 1997);</li><li>• Labour Relations Act, 1995 (Act 65 of 1995);</li><li>• Occupational Health and Safety Act,</li></ul>	

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# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

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	<p>1993 (Act No. 85 of 1993);</p> <ul style="list-style-type: none"> <li>Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)</li> <li>The Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No.4 of 2000) (PEPUDA)</li> <li>Collective Agreements</li> <li>The South African Qualifications Authority (SAQA)</li> <li>Government Gazette Act No, 40167 of the 29 July 2016.</li> <li>Local Government : Municipal Staff Regulation. 20 September 2021.</li> <li><u>SAQA Act</u> – South African Qualification Authority Act, 1995 (No. 8 of 1995) – as amended.</li> <li><u>SETA</u> – Sector Education and Training Authority.</li> <li><u>SDA</u> - Skills Development Act, 1998 (NO. 97 of 1998) as amended.</li> <li><u>SDL Act</u> - Skills Development Levies Act, 1999 (No. 9 of 1999) as amended.</li> </ul>	
Policy Review “Triggers”	CHALLENGES	
<b>Comments</b>	PER REQUEST	

<b>Legend</b>	
	Newly inserted Text
	Edited or paraphrased text

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **AGENDA: COUNCIL: 28 MARCH 2023**

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## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

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#### **1. PREAMBLE**

Rustenburg Local Municipality (RLM) must ensure depth of competencies exist, especially in key management, leadership and technical positions where skills are both critical and scarce. Pro-active and deliberate planning must ensure that RLM can sustain effective continuity where incumbents in such select position/s vacate the post/s.

#### **2. PURPOSE**

The purpose of this policy is to provide Employees with guidelines regarding studying, subsequent leave, examination and the obligations of Employees and includes the following:

2.1 Enabling full-time employees to undergo formal part-time study, modular , full time or training by means of financial assistance in the form of a study aid and leave concessions in order to enable its employees to better qualify themselves for posts on RLM's staff establishment, to in this way facilitate personnel development.

2.2 Identifying expertise that RLM has a need for and to develop this to the benefit of RLM to ensure higher quality employees for RLM;

2.3 RLM shall approve annually budget, within its financial means, an amount to enable the training of its employees

2.4 To give an opportunity to RLM employees to study any field that is within local government not necessarily within their area of work but to advance their career path to be able to access promotional opportunities anywhere in the RLM.

2.5 To give opportunity to RLM employees to have access to internal training institution as regulated through Training and Development section.

#### **3. SCOPE AND APPLICATION**

This policy applies to all permanent employees of the Municipality as defined in the Labour Relations Act, 65 of 1995 as amended who are identified through the Study Aid application process including fixed term employees.

The terms "Education, Training and Development" (ETD) covers various forms of learning that takes place at diverse sites as well as at specialist and academic institutions. The content of learning covers technical and non-technical fields, capacity building as well as general employee training.

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#### 4. OBJECTIVES OF THE STUDY AID

Is to encourage employees to engage in or continue their studies in order to:

- 4.1 Offer Employee's opportunities to acquire qualifications to satisfy the Human Resource needs of the RLM, as well as to enhance the career development needs of the Employees.
- 4.2 Improve the quality of life of employees, their career prospects;
- 4.3 Enable RLM to keep up with the rapid changes in terms of technology and deal pro-actively with the transformation of local government.
- 4.4 Increase the levels of investment in education and training in the Municipality and that the return of that investment be realized;
- 4.6 Encourage Management across RLM organization (Unit and Section 56 Managers):
  - 4.6.1 To facilitate active learning in the workplace and;
  - 4.6.2 To provide employees with opportunities to acquire new skills and knowledge;
- 4.7 Introduce fair and reasonable objective principles for education, training and development of employees in the employment of RLM; and
- 4.8 Provide guiding standards for career development of employees in the employment of RLM.
- 4.9 Effectively deal with financial challenges and increasing education fees, that poses a challenge and unaffordability, defeat the purpose of education and development of employees.
- 4.10 Define clear principles and legal framework within which the policy must be applicable.

#### 5. DEFINITIONS

The following definitions and principles will apply to the Municipality's Study Aid Policy. In this policy, the definitions mean:

- 5.1 Employee – permanently employed employee in the service of the Municipality.
- 5.2 Study Aid – financial support granted to Employees for approved study purposes.
- 5.3 Institution - Educational institution registered in terms of SAQA requirements.

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- 5.4 ETD – Education Training and Development
- 5.5 Examinations - A final testing of the proficiency or knowledge of a student for a qualification in a particular subject/module prescribed by the institution.
- 5.6 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.
- 5.7 Studies shall include a national certificate, diploma and degrees
- 5.7 SAQA Act – South African Qualification Authority Act, 1995 (No. 8 of 1995) – as amended.
- 5.8 SETA – Sector Education and Training Authority.
- 5.9 SDA - Skills Development Act, 1998 (NO. 97 of 1998) as amended.
- 5.10 SDL Act - Skills Development Levies Act, 1999 (No. 9 of 1999) as amended.
- 5.11 NQF- National Qualification Framework
- 5.12 Internal training institution means - an accredited onsite training facility managed by RLM.
- 5.13 RLM - Rustenburg Local Municipality
- 5.14 Training and Development section - means a division of a municipality where training is manage
- 5.15 Study Stream - means a series of area- specific courses that you take as part of your qualification that allows an employee specialise in a particular field of study.

### 6. LEGAL FRAMEWORK

- 6.1 Occupational Health and Safety Act, 85 of 1993.
- 6.2 South African Qualifications Authority Act, 58 of 1995
- 6.3 Labour Relations Act, 65 of 1995.
- 6.4 Constitution of the RSA, 108 of 1996
- 6.5 Basic Conditions of Employment Act, 75 of 1997 as amended.
- 6.6 White Paper on Local Government, March 1998

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6.7 Employment Equity Act, 55 of 1998

6.8 Skills Development Act, 97 of 1998

6.9 Skills Development Levies Act, 9 of 1999

6.10 Municipal Systems Act, 1999

6.11 Promotion of Equality and Prevention of unfair discrimination Bill, 57 of 1999

6.12 Performance Management System

6.13 POPI Act- Protection of Personal Information Act

#### 7. PRINCIPLES

The policy is based on the following principles, which are acknowledged by the RLM:

7.1 The training and development of employees as such are thus of extreme importance in order to render the appropriate quality and quantity of service.

7.2. The development of our human resources should aim at improving knowledge, skills and attitude and unlocking potential to the benefit of the employee and the RLM.

7.3 The RLM will engage in training partnerships with external institutions to address specific training needs.

7.4 The RLM acknowledges Training Centre's and other approved institutions as structures.

7.5 Approved in-service training and development programmes or workshops will be conducted during normal working hours.

7.6 Recognized Trade Unions are equal partners in the process of education, training, and development as well as in the creation of policy and structures for the purpose of developing their members.

7.7 All training shall be performance based, aimed at present and future career development, and comply with the accepted desired standards.

7.8 All education, training and development activities shall be local government driven.

7.9 Successful completion of a qualification does not automatically entitle trainees to promotion or salary increments.

**8. POLICY CONTENT**

**Criteria for the granting of study aid:**

- 8.1 Any qualification which is pursued by an employee should be applicable to the functions and activities of RLM authorities.
- 8.2 Qualifications may only be pursued at educational institutions established, registered and approved by the South African Qualification Authority.
- 8.3 Participation in the study aid will be limited to one recognized pre-graduate and post-graduate qualification per Employee.
- 8.4 If an employee abandons his or her studies in an approved recognized qualification, he/she have to **pay back the amount already paid for him/her** in the qualification that is being abandoned before he/she can apply for study aid in another qualification.
- 8.5 Employee can change a qualification registered with an educational institution if the institution discontinues the qualification and a **written proof must be provided** to that effect. In that instance an employee will not be required to repay any amount paid on his or her behalf.
- 8.6 When an official is transferred and or promoted to another directorate with other functions and she/he decides to change his/her course, it would not be seen as the discontinuing of studies.
- 8.7 The goal of the study aid is to offer opportunities to officials to acquire qualifications to satisfy the Human Resource needs of Council, as well as to enhance the career development needs of the employees.
- 8.8 **Study aid may be granted to Employees who –**
  - 8.8.1 Have been appointed permanently in the service of the RLM;
  - 8.8.2 Qualify for admission to a particular qualification or remainder thereof at the educational institution;
  - 8.8.3 Are identified to enroll for development programmes as part of career development and employment equity guidelines of RLM;
  - 8.8.4 Did not already make use of a study aid in completing a study stream.

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**9. FUNCTIONAL POLICY**

**9.1 Applying for a study aid:**

Employees shall apply in writing for a Study Aid on the prescribed application form.

**9.2 Approving of study aid:**

- 9.2.1 The allocation of Study Aid is delegated to the Director: Corporate Support Services.
- 9.2.2 The allocation of a study aid is valid for the total duration of the approved qualification that it has been granted for, subject to the availability of funds.
- 9.2.3 The average number of employees who will be eligible for Study Aid approval per annum shall be 250 on the first come first serve basis as captured on the application submission register.

**9.3 Payment of study aid:**

- 9.3.1 No study aid shall be paid out for the first year of studies to an Employee unless the Employee's application for a Study Aid for a specific qualification has been approved.
- 9.3.2 A written agreement must be entered into between the Employee concerned and the RLM, before any payments can be made.
- 9.3.3 No payments shall be made for the remaining years of studies before:
  - previous examination results were submitted.
  - all the subjects/module have been passed.

**9.4 Composition of a study aid:**

**9.4.1 Study expenses:**

- The actual study expenses for registration, class, examination and/or qualification fees, as well as prescribed books, for the applicable year shall be paid to the Educational Institution on submission of an Employee quotations/invoice up to an amount of R50 000 per annum,; and shall not include examination re-write.
- Where an employee submits a receipt as proof of payment towards her/his approved study expenses the employee shall be reimbursed.
- No subsistence and travelling or any other expenditure shall be paid for.

9.4.2 If the employee submits the quotation higher than the maximum amount, he/she shall be responsible for payment of the difference.

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#### 9.5 Proof of progress and completion of studies

- 9.5.1 All employees awarded Financial Study Aid Assistance must provide a certified copy of results for each academic period financial assistance was granted.
- 9.5.2 This will serve as proof of progress or completion of studies for each academic term financial assistance was granted.
- 9.5.3 It will also serve as the basis for continued payment for the studies for the employee in the approved study stream.

#### 10. CONDITIONS \ OBLIGATIONS OF AN EMPLOYEE AND RLM

- 10.1 The RLM may at any time on its sole discretion cancel the study aid if the RLM is of the opinion that an employee's progress is unsatisfactory or if he/she fails to comply with other obligations in terms of the policy or study aid agreement;
- 10.2 A written agreement shall be entered into between the Employee and the RLM in which the Employee commits himself/herself to serve in the RLM as follows:
  - 10.2.1 Work back for RLM 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 RLM.
  - 10.2.2 An employee will be required to remain in the RLM's service for a period of **one (1) 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 the year was written. Where no examination was written but a mater thesis was submitted, an employee will be required to remain in the RLM's service for **one (1) year** after his/her thesis has been finally accepted.
  - 10.2.3 Should an employee leave the RLM's service before the time frame mentioned in clause 10.2.2 for whatever reason but excluding medical unfit and death, an employee will be liable to pay the whole amount of the study aid back to RLM without interest for the qualification registered for.
  - 10.2.4 When an Employee fails a subject(s)/module(s), such employee would be required to produce proof of payment for the failed subjects/modules before any applications for further study aid could be granted for the next semester subject(s)/module(s) or registration.
  - 10.2.5 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.

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#### **10.3 Study Aid payment approval conditions**

- 10.3.1 No study aid shall be paid out unless the employee's application for a Study Aid has been approved.
- 10.3.2 A written agreement must be entered into between the Employee concerned and the Municipality wherein the provisions of this policy are reaffirmed, before any payments can be made. Employees will be required to sign a Study Aid Agreement which sets out repayment guidelines should they not be successful/ fail exams or leave Rustenburg Local Municipality.
- 10.3.3 No payments shall be made for the remaining years of studies in the study stream before:
  - 10.3.3.1.1 previous examination results are submitted;
  - 10.3.3.1.2 all the subjects/module have been passed.

#### **11.SPECIFIC REGULATIONS**

##### **11.1 Merit Study Aid:**

An Employee receiving a merit Study Aid from an educational institution can still apply for a Study Aid.

##### **11.2 Study leave:**

**11.2.1** 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. (Employees who are on shift system will be accommodated on shift roster).

**11.2.2** Where an examination timetable contains consecutive exam dates, the employee will only receive the three days allocation for the first exam subject.

**11.2.2** In order to be granted such leave, the employee must:

- 11.2.2.1 Submit written proof of his/her examination roster/time table;
- 11.2.2.2 Submit application for leave at least ten (10) working days prior to the date on which the leave is required;
- 11.2.2.3 In the case of Doctorates/Master/honors studies submit proof of his/her thesis/dissertation roster.
- 11.2.2.4 Submit written proof of examination time table organized by the institution or testing or proficiency or knowledge to qualify for an examination.
- 11.2.2.5 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

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### AGENDA: COUNCIL: 28 MARCH 2023

dates on which he/she is required to present him/herself as a candidate for such examination/block classes.

#### **12. REWRITING EXAMINATIONS:**

12.1 Special leave of one (1) full working day for the purpose of re-writing the examination shall be granted.

12.2 The RLM will not cover any costs for re-writing.

#### **13. LEAVE FOR RESEARCH:**

13.1 The amount of special leave days per annum for research purpose shall be aligned to the condition of Service and shall be granted to an employee admitted for a post graduate qualification.

13.2 Submit written proof of research, organized by the institution.

13.3 No subsistence and travelling allowance is payable when Employees have to attend/conduct research.

13.3 The cost of extra voluntary lessons, supplementary examination fees, re-registration, supplementary textbooks, stationery, travelling and accommodation will be for employee's own account.

#### **14. RECOGNITION OF PRIOR LEARNING (RPL)**

14.1 Recognition of Prior Learning (RPL) is an assessment process through which learners may be awarded credits for learning which they have already obtained through work experience or some form of prior learning.

14.2 During this assessment, learners must show that they meet the learning outcomes in the learning standards for a qualification through demonstrating what they know and are able to do. It is possible to obtain access to the final integrated summative assessment for a whole qualification, or part of a qualification, through RPL.

##### **14.3 RPL assessments are subject to:**

14.3.1 Operational requirements

14.3.2 Organisational needs

14.3.3 The availability of financial and human resources

14.3.4 Operational constraints

14.4 RLM is committed to advocating RPL as an accessible and developmental tool for building the organisation and its employees and recognising the value of the principle of RPL for the

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **AGENDA: COUNCIL: 28 MARCH 2023**

development of previously disadvantaged individuals and for equipping all employees with qualifications relevant to their occupational category and level.

14.5 Employees who have the relevant prior experience, but no formal learning/qualification will be afforded the opportunity to undergo RPL at a cost not more than approved Study expenses

#### **14.6 Recognition of prior learning assessment shall be conducted:**

14.6.1 By service providers that are accredited by the relevant Education and Training Quality Assurance Body; and

14.6.2 In line with the provisions of the National Qualifications Framework established in terms of the National Qualifications Framework Act, 2008 (Act No.67 of 2008)

### **15. UPHOLDING OF POLICY**

The Director: Corporate Support Services will be responsible for the upholding of this policy.

### **16. 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 study stream it has been granted for.

### **17. REVIEW OF POLICY**

This policy will be reviewed after two years or whenever necessary as per legislation changes.

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**AGENDA: COUNCIL: 28 MARCH 2023**

Signed by the Parties and witnesses on the following date and place:

**Date**..... **Place**.....

.....

a. Municipal Manager

.....

b. SAMWU Chairperson

.....

c. IMATU Chairperson

.....

d. Witness (1)

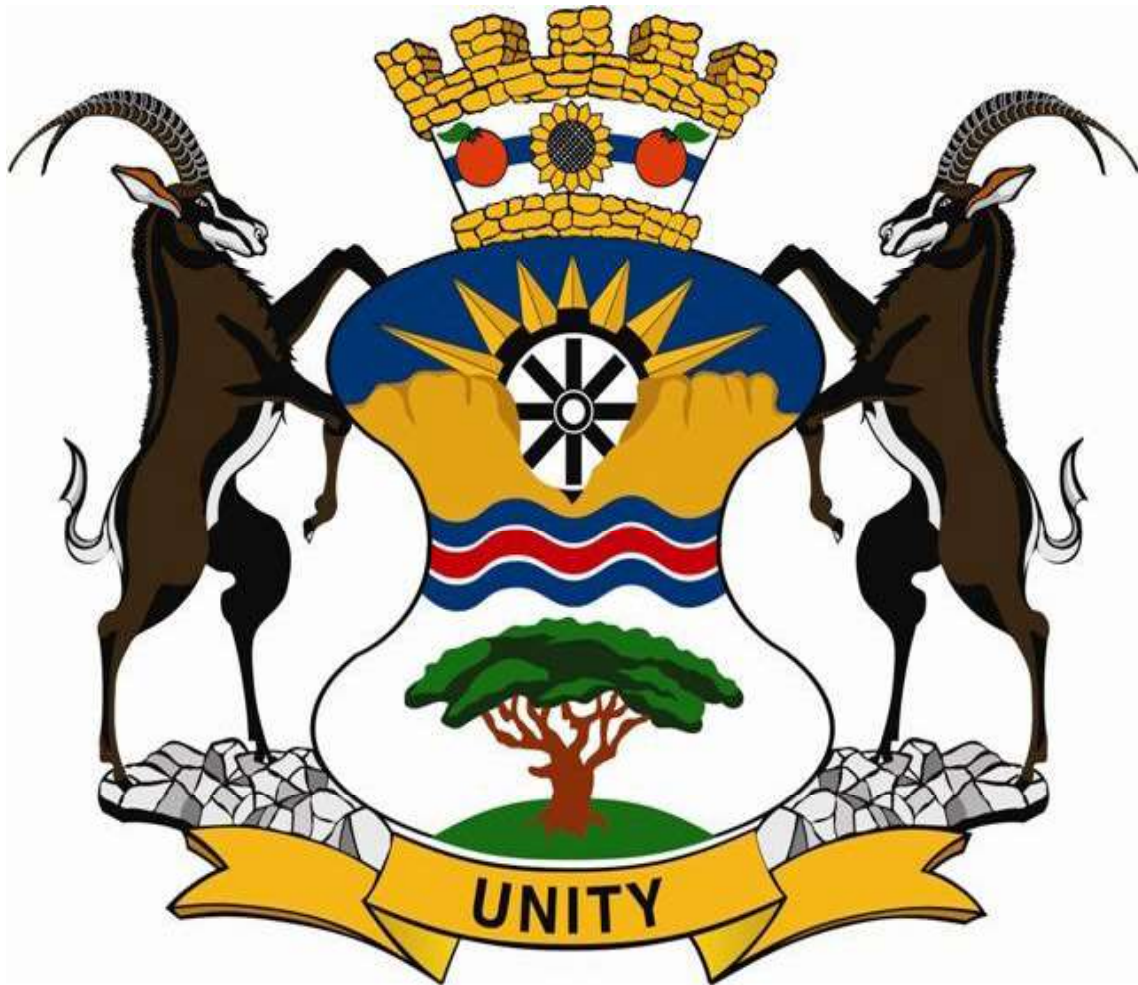
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e. Witness (2)

.....

# **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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**(FOR EASE OF REFERENCE THE CORRESPONDING REGULATION NUMBER  
IN THE “MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS” –WHERE  
APPLICABLE – HAS BEEN INSERTED IN BRACKETS BEHIND THE “ITEM”)**

### **CHAPTER 1**

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**CHAPTER 1**  
**ESTABLISHMENT AND IMPLEMENTATION OF**  
**THE SUPPLY CHAIN MANAGEMENT POLICY**

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**1. DEFINITIONS**

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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
<b>“A”</b>		
1.1	<b>“Accounting Officer”</b>	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	<b>“adjudication points”</b>	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	<b>“all applicable taxes”</b>	Includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
1.4	<b>“Auditor-General”</b>	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	<b>“authority”</b>	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>“B”</b>		
1.6	<b>“B-BBEE”</b>	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>“B-BBEE status level of contributor”</b>	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	<b>“bid”</b>	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	<b>“bidder”</b>	Any person or entity submitting a bid.
<b>“C”</b>		
1.10	<b>“capital asset”</b>	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	<b>“Chief Financial Officer”</b>	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	<b>“close family member”</b>	A spouse, child or parent of a person.
1.13	<b>“closing time”</b>	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	<b>“community-based vendor”</b>	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	<b>“comparative price”</b>	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	<b>“competitive bid”</b>	A responsive bid in terms of a competitive bidding process.
1.17	<b>“competitive bidding process”</b>	A competitive bidding process referred to in regulation 12(1)(d) of the SCMR and this policy.
1.18	<b>“consortium or joint venture”</b>	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	<b>“Construction Industry Development Board” or “CIDB”</b>	The Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act.
1.20	<b>“Construction Industry Development Board Act”</b>	The Construction Industry Development Board Act, Act 38 of 2000.
1.21	<b>“construction works”</b>	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	<b>“consultant”</b>	A person or entity providing labour and knowledge-based expertise which is applied with reasonable skill, care and diligence.
1.23	<b>“contract”</b>	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	<b>“contractor”</b>	A person or entity whose/which bid, or quotation has been accepted by the Municipality and “service provider” has a corresponding meaning.
1.25	<b>“Council”</b>	The Municipal Council of the Municipality, its legal successors in title and its delegates.

<b>“D”</b>		
1.26	<b>“days”</b>	Calendar days, unless the context indicates otherwise.
1.27	<b>“demand management”</b>	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	<b>“designated sector”</b>	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	<b>“disability”</b>	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	<b>“Disciplinary Regulations”</b>	Local Government: Disciplinary Regulations for Senior Managers, published under GN 344 in GG 34213 of 21 April 2011
1.31	<b>“disposal”</b>	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	<b>“disposal management”</b>	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.
<b>“E”</b>		
1.33	<b>“engineering and construction works”</b>	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	<b>“evaluation points”</b>	Refer to “adjudication points” and/or “preference points”.
1.35	<b>“exempted capital asset”</b>	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.
<b>“F”</b>		
1.36	<b>“final award”</b>	The final decision on which bid or quote to accept.
1.37	<b>“firm price”</b>	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	<b>“formal written price quotation”</b>	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	<b>“functionality”</b>	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.
<b>“G”</b>		
1.40	<b>“general conditions of contract”</b>	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	<b>“goods and/or services”</b>	Apart from the normal grammatical meaning, also includes engineering and construction works and consultant works.
1.42	<b>“green procurement”</b>	Considering environmental criteria for goods and services to be purchased to ensure that the related environmental impact is minimised.

<b>“H”</b>		
1.43	<b>“historically disadvantaged individual” or “HDI”</b>	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.
<b>“I”</b>		
1.44	<b>“improper conduct”</b>	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	<b>“in the service of the state”</b>	Means to be:  (a) a member of:  (i) any municipal council;  (ii) any provincial legislature; or

		<p>(iii) the National Assembly or the National Council of provinces;</p> <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	<b>“information technology” or “IT”</b>	The acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.
1.47	<b>“Integrated Development Plan” or “IDP”</b>	The plan envisaged in terms of the provisions of section 25 of the MSA.
<b>“L”</b>		

1.48	<b>“list of accredited prospective providers”</b>	The list of accredited prospective providers that a Municipality must keep in terms of regulation 14 of the SCMR.
1.49	<b>“local business”</b>	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	<b>“Local Government: Municipal Finance Management Act” or “MFMA”</b>	The Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.51	<b>“Local Government: Municipal Systems Act” or “MSA”</b>	The Local Government: Municipal Systems Act, Act 32 of 2000.
1.52	<b>“Structures Act” or “MSTA”</b>	The Local Government: Municipal Structures Act, Act 117 of 1998.
1.53	<b>“long term contract”</b>	A contract with a duration period exceeding 1 (one) year.
<b>“M”</b>		
1.54	<b>“Municipal Asset Transfer Regulations” or “MATR”</b>	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	<b>“Municipal Budget &amp; Reporting Regulations, 2008”</b>	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	<b>“municipal entity”</b>	Means:  (a) a private company referred to in section 86B(1)(a) of the MSA;  (b) a service utility; or  (c) a multi-jurisdictional service utility;  as contemplated in terms of the provisions of the MSA.
1.57	<b>“Municipality”</b>	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:  (a) its successor in title; or  (b) a functionary, employee or official exercising a delegated power or carrying out an instruction,

		<p>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>
1.58	<b>"Municipal Manager"</b>	The person appointed in terms of the provisions of section 54A of the MSA, and Accounting Officer of the Municipality.
1.59	<b>"Municipal Public-Private Partnership Regulations"</b>	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	<b>"Municipality's Register of Tender and Contract Defaulters"</b>	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.
<b>"N"</b>		
1.61	<b>"non-exempted capital asset"</b>	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.
<b>"O"</b>		

1.62	<b>“obsolete”</b>	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	<b>“official”</b>	<p>In relation to the Municipality or municipal entity, means:</p> <p>(a) an employee of a Municipality or municipal entity;</p> <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	<b>“organ of state”</b>	<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	<b>“other applicable legislation”</b>	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.
<b>“p”</b>		
1.66	<b>“planned project work”</b>	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	<b>“this policy”</b>	This Supply Chain Management Policy of the Municipality.
1.68	<b>“preference points”</b>	Refer to “adjudication points” and/or “evaluation points”.
1.69	<b>“Preferential Procurement Policy Framework Act” or “PPPFA”</b>	The Preferential Procurement Policy Framework Act, Act 5 of 2000.
1.70	<b>“Preferential Procurement Regulations” or “PPR”</b>	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	<b>“Prevention and Combating of</b>	The Prevention and Combating of Corrupt Activities Act, Act 12 of 2004.

	<b>Corrupt Activities Act” or “PCCAA”</b>	
1.72	<b>“prime contractor”</b>	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	<b>“prime cost item(s)”</b>	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	<b>“provisional sum(s)”</b>	An amount allocated for specialised <a href="#">work</a> , to be executed by a specialised service provider and for which the details are not available at the time of bidding.
1.75	<b>“Promotion of Access to Information Act” or “PAIA”</b>	The Promotion of Access to Information Act, Act 2 of 2000.
1.76	<b>“Public-Private Partnership” or “PPP”</b>	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.
<b>“Q”</b>		
1.77	<b>“quality”</b>	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.
<b>“R”</b>		
1.78	<b>“rand value”</b>	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	<b>“Republic”</b>	The Republic of South Africa.
1.80	<b>“responsible agent”</b>	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	<b>“risk management”</b>	The identification, measurement and economic control of risks that threaten the assets and income/earnings of person or entity or business or other enterprise.
<b>“S”</b>		
1.82	<b>“sole-source selection”</b>	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	<b>“SITA”</b>	State Information Technology Agency.
1.84	<b>“small, medium and micro enterprises” or “SMME”</b>	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	<b>“sub-contract”</b>	The agreement in terms of which or the act of a primary contractor appointing a sub-contractor.
1.86	<b>“sub-contractor”</b>	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	<b>“Supply Chain Management Policy”</b>	This Supply Chain Management Policy of the Municipality.
1.88	<b>“Supply Chain Management Regulations” or “SCMR”</b>	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	<b>“Supply Chain Management Unit” or “SCMU”</b>	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.
<b>“T”</b>		
1.90	<b>“tender”</b>	Means bid in the context of procurement.
1.91	<b>“term bid”</b>	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	<b>“total cost of ownership” or “TCO”</b>	The sum of direct spend, related spend, process spend, and opportunity cost associated within a specific commodity and service to the owner.
1.93	<b>“treasury guidelines”</b>	Any guidelines on supply chain management issued by the Minister in terms of the provisions of section 168 of the MFMA.
1.94	<b>“trust”</b>	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.
<b>“U”</b>		
1.95	<b>“unserviceable”</b>	The condition of an asset which is no longer suitable for use and cannot be economically repaired.
1.96	<b>“unsolicited bid”</b>	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**

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- (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**

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- (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**

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- (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**

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- (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**

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- (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**

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- (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**

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### **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 it's regulations (PPPR 2022);**
- (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**

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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**

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**10. ESTABLISHMENT AND IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT SYSTEM**

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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**

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- (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 BBEE
- (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) Service 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) 80/20 preference point system for acquisition of goods or services, works with a rand value equal to or below 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 (inclusive of all applicable taxes).
    - The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million inclusive of all applicable taxes.

Where –

Ps = Points scored for price under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

- A maximum of 20 points may be awarded to a tender for the specified goal specified for the tender.
- The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- Subject to section 2(1) (f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

(b) 90/10 preference point system for acquisition of goods or services with Rand value above R50 million.

- The following point system for acquisition of goods or service with Rand value above R50 million, inclusive of all applicable taxes.

Where –

Ps = Points scored for prices of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptance tender

- A maximum of 10 points may be awarded to tenderer for the specific goal specified for the tender.
- The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

(c) 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million.

The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender for income-generating contracts, with a Rand value equal to or below R50 million inclusive of all applicable taxes.

Where –

Ps = Points scored for price under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

- A maximum of 20 points may be awarded to a tender for the specified goal specified for the tender.
- The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- Subject to section 2(1) (f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

(d) 90/10 preference points system for tenders for income-generating contracts with Rand value above R50 million.

The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes.

Where –

Ps = Points scored for prices of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptance tender

- A maximum of 10 points may be awarded to tenderer for the specific goal specified for the tender.
- The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.

- Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

**(e) Criteria for breaking deadlock in scoring**

- if two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

**(d) Remedies**

- If an organ of state is of the view that a tenderer submitted false information regarding a special goal, it must –
  - I. Inform the tenderer accordingly; and
  - II. give the tenderer an opportunity to make representations within 14 days as to why the tender may be 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.
- After considering the representations referred to in subregulation (1)(b), the organ of state may, if it concludes that such information is false-
  - disqualify the tenderer or terminate the contract in whole or in part; and
  - if applicable, claim damages from the tender.

- (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 hard copies and supplemented by USB/CD in accordance with Municipal Supply Chain Management Regulations 22 (4).**

**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 R200 000.00 (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; and

in 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 queries 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) Bids submitted to the municipality must be sealed hard copies and supplemented by USB/CD in accordance with Municipal Supply Chain Management Regulations 22 (4).

- (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.
- (3) 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 compliant to the Municipality against the decision or action as set out in paragraph 20.3below 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, pre-application.
- (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:

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- (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 FROM, 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;

**The following will be considered under these is not exhaustive list:**

- Subscription, includes newspapers on condition they are not acquired through an agent.
- License software on condition that the original asset was acquired through competitive bidding.
- Accommodation include Workshops, Conferences and Lekgotla.

**Source minimum three quotations directly from the venue not through an agent.**

- Maintenance for fleets must be part of the original acquisition of the vehicle on condition that the original vehicle was acquired through competitive bidding.
- Direct advertisement with media houses, on condition that there are no agents

- In case of agents follow applicable competitive bidding.
- Art work, artists, condition that there is a rotation process.
- In the event of a major system failure; or In the event where the delivery of a municipal service would be significantly restricted.
- In order to Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required call for bids;

**RLM may procure the items listed below via a single source route:**

- Books and magazines may be procured directly from the publisher.
- Newspaper advertisements a may be
- Professional bodies offering training and conference (CIGFARO, CESA, IIASA)
- The Manufacturer of the vehicle, plant, air conditioners elevators and equipment.

(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**

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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 of disposal;
  - (dd) any expected proceeds to be received by the Municipality arising from the transfer of 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](http://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**

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**27. COMBATING OF ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM**

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- (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**

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**28. PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILISED**

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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**

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- (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**

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- (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
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- (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**

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- (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**

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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**

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- (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 from 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**

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- (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 may be directed to the National Treasury, tel (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**

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- (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**

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- (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**

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- (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**

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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**

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#### **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**

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- (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**

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- (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**

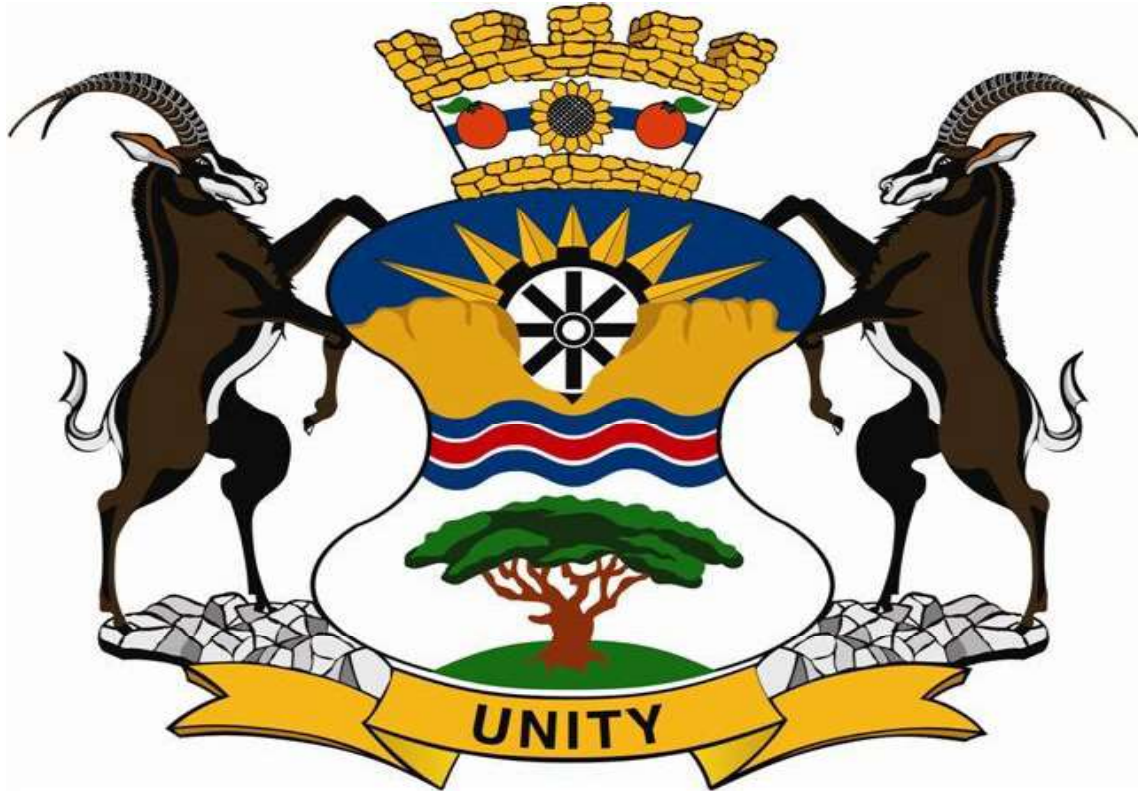
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This policy shall be called the Supply Chain Management Policy of the Rustenburg Local Municipality.

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

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

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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,

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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 31<sup>st</sup> 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 31<sup>st</sup> 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.

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- 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

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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 water meter serves more than one unit, the tariff for consumption 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. All the bulk water meters will be charged with a factor ten (10) effective 01 July 2023.

### **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.

<b>NO.</b>	<b>WORD/EXPRESSION</b>	<b>DEFINITION</b>
<b>“A”</b>		
1.1	<b>“ACT”</b>	means the Local Government Municipal Systems Act, Act 32 of 2000 as amended;
1.2	<b>“Accounting Officer”</b>	Means the Municipal Manager appointed in terms of the provisions of section 60 of the MFMA.
1.3	<b>“annual budget”</b>	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	<b>“annually”</b>	Means once every financial year.
<b>“B”</b>		
1.5	<b>“basic municipal service”</b>	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	<b>“bulk electricity”</b>	Means a bulk customer whose electricity demand exceeds or

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	customer”	has previously exceeded 100kVA or 150A three phase LV, or any MV or HV connections.
1.6 A	Bulk connection – (Sometimes also referred to as Industrial Tariffs on Nersa approval Letters)	<ul style="list-style-type: none"> <li>• A Bulk connection larger than 150A three phase LV, or any MV or HV connections</li> <li>• Generally, a three-phase supply, where current transformers are required to reduce the measured current to a level that the meter can accept.</li> </ul> <p>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.</p>
1.7	“bulk consumer”	Means a customer of electricity, water, sewerage or refuse removal services for commercial or industrial purposes.
1.7 A	Business / Non-domestic electricity connection.  (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. A client can switch from Bulk to Business /Non-domestic once in 12 months that the connection be limited to 150A or 100kVA
	Business rate - electricity	<p>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.</p> <p>Non-domestic / Business connection.  (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.</p>

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<b>“C”</b>		
1.8	<b>“Chief Financial Officer”</b>	Means a person designated in terms of the provisions of section 80(2)(a) of the MFMA.
1.9	<b>“Constitution”</b>	Means the Constitution of the Republic of South Africa, Act 108 of 1996.
1.10	<b>“Consumer”</b>	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.
1.11	<b>“Consumer Price Index excluding”</b>	Means the CPIX as determined and gazetted from time to time by the South African Bureau of Statistics.

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	<b>mortgage bonds” or “CPIX”</b>	
1.12	<b>“cost to be recovered”</b>	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	<b>“Council”</b>	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	<b>“Credit Control &amp; Debt Collection Policy and By-laws”</b>	Means the Credit Control and Debt Collection Policy and By-laws as adopted by the Council of the Municipality.
1.15	<b>“customer”</b>	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: <ul style="list-style-type: none"> <li>(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</li> <li>(b) the party to whom the residential property is awarded in the event of a divorce; or</li> <li>(c) where a deceased estate has not been wound up: <ul style="list-style-type: none"> <li>(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</li> </ul> </li> </ul>

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		<p>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 &amp; 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>
<b>“D”</b>		
1.16	<b>Disconnection Fee</b>	means a fee charged to a Customer upon termination or restriction of a municipal service supplied to a meter;
<b>“E”</b>		
1.1.7	<b>External Service Provider</b>	means an external mechanism referred to in section 76(b) of the ACT which provides a municipal service for a municipality;
<b>“F”</b>		
1.18	<b>“flat rates”</b>	Means the unit tariffs that are calculated by dividing the total cost by volume needed.

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1.19	<b>“fixed costs”</b>	Means costs that do not vary with consumption or volume produced.
1.20	<b>“financial sustainability”</b>	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	<b>“financial year”</b>	Means the period starting from 1 July in any year and ending on 30 June of the following year.
<b>“I”</b>		
1.22	<b>“IDP”</b>	Integrated Development Plan envisaged in section 25 of the ACT
1.23	<b>“Indigent”</b>	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	<b>“Indigent Policy”</b>	Means the Indigent Policy, adopted by the Council of the Municipality.
1.25	<b>“indigent support”</b>	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	<b>“Interest rate”</b>	Means interest charged by the municipality on all outstanding debtors.
<b>“M”</b>		

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1.26	<b>“Mayor”</b>	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	<b>“major services”</b>	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	<b>“minor services”</b>	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	<b>“Municipal Finance Management Act” or “MFMA”</b>	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 and the regulations promulgated in terms of this act.
	<b>“MEC for local government”</b>	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	<b>“Municipality”</b>	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

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		<p>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	<b>"Municipal Council"</b>	means the RLM Municipal Council; a council composed and elected in terms of section 157 of the Constitution;
1.32	<b>"Municipal Manager"</b>	A person appointed in terms of section 54A of the ACT as the head of administration of the Municipal Council;
1.33	<b>"Municipal Property Rates Act" or "MPRA"</b>	Means the Local Government: Property Rates Act, Act 6 of 2006 and promulgated Regulations in line with the Act.
1.34	<b>"municipal service" or "services"</b>	<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>
<b>"N"</b>		
1.35	<b>"non-trading services"</b>	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

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		generated from trading services and assessment rates.
<b>“P”</b>		
1.36	<b>“prepayment meter”</b>	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.
<b>“R”</b>		
1.37	<b>“rates”</b>	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	<b>“Registered Indigent”</b>	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	<b>“Re-connection fee”</b>	means fee charge to a Customer upon reconnection of Municipal services;
1.40	<b>“RCC”</b>	Municipal Regional Community Centers
<b>“S”</b>		
1.40	<b>“Service delivery agreement”</b>	means an agreement as envisaged in section 81 of the ACT;
1.41	<b>“Special Tariff”</b>	means a charge as more fully referred to in 9.3.9, read together with 13 of this Policy;
1.42	<b>“Sundry Tariff”</b>	means a charge as more fully referred to in paragraph 9.3.8 of this Policy;
1.43	<b>“Surcharge”</b>	means a charge raised on and above a normal Tariff based either on a percentage and or a fixed amount;
1.44	<b>“Structures Act”</b>	Means the Local Government: Municipal Structures Act, Act

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		117 of 1998 and promulgated regulations in line with the Act.
1.45	<b>“subsidised services”</b>	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	<b>“Systems Act”</b>	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.
<b>“O”</b>		
1.47	<b>“off-peak supply”</b>	Means an electricity supply on written request to a bulk customer which is supplied at times other than those of peak demand.
<b>“T”</b>		
1.48	<b>“Tariff/ (municipal tariff)”</b>	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	<b>“Tariff book”</b>	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	<b>“tariff policy” or “this policy”</b>	Means this Tariff Policy of the Municipality adopted in terms of the provisions of section 74(1) of the Systems Act.
1.51	<b>“temporary customer”</b>	Means a customer of electricity, water, sewerage or refuse removal services for a temporary period for specific project or occasion.
1.52	<b>“total cost”</b>	Means the sum of all fixed and variable costs.
1.53	<b>“trading services”</b>	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

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		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	<b>“two-part tariffs”</b>	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.
<b>“U”</b>		
1.55	<b>“units consumed”</b>	Means the number of units consumed of a particular service and is measured in terms of the units of measurement reflected in this policy.
<b>“V”</b>		
1.56	<b>“variable costs”</b>	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 Guideline\*<sup>1</sup>.

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 :

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- 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 Indigent ;

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- 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) refuse bin sale;

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- (xvi) cleaning of overgrown stands;
- (xvii) connection fees for major municipal services;
- (xviii) photocopies and faxes;
- (xix) clearance certificate fees
- (xx) pound fees;
- (xxi) cleansing of sewerage blockages;
- (xxii) electricity or water disconnection and reconnection fees;
- (xxiii) the provision of information or copies of records from the Municipality ' records
- (xxiv) Towing Services by Public Safety

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

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- n) Commercial Parking
  - o) Multipurpose Property
  - p) Public Service Infrastructure
  - q) Public Benefit Organisation, 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

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- 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.

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(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 **Kilolitre:** 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;

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, 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

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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**

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- 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.

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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.

<u>Category of User</u>	<u>Ratio</u>
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, 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 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;

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- 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;

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- 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 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.

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- 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 m<sup>3</sup>, 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 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.

### **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, however, only the bulk meter will be billed in line with the municipal by laws.

### **23 Estimated charges**

23.1 The municipality will charge estimates using the client's last three consecutive actual readings,

Where there is no historical data to determine average consumption the municipality will charge the average as per the categories below in case of emergency:

#### **Water**

- Residential properties – 20 kilolitres
- Businesses and all other categories - 200 kilolitres

#### **Electricity**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- Residential – 500 KHW
- Businesses and all other categories – 5000 KWH

### **24 Public Participation**

24.1 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.

24.2 The ward councillor of the ward concerned shall chair any meeting referred to in 20.1 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.

### **25 Enforcement and Oversight**

This Policy, together with all departmental Tariff policies, is enforced through the Municipality's –

25.1 Tariff By-law;

25.2 Credit Control and Debt Collection By-law and Policy;

25.3 Water Services by law

25.4 Electricity by laws

25.4 Waste Management by laws

25.3 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.

25.3 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.

### **26. Policy Evaluation and Review**

26.1. 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 year, and amendments made to strengthen the Policy, where applicable, for consideration during the annual Budget process.

**27 Interpretation of this Policy**

27.1 If there is a conflict of interpretation between the English version and a translated version, the English version prevails.

27.2 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.

27.3 This Policy must be read in conjunction with specific legislation applicable to each service and the following policies:

27.3.1 The Municipality's Credit Control and Debt Collection Policy

27.3.2 The Municipality's Rates Policy

# **RUSTENBURG LOCAL MUNICIPALITY**



## **DRAFT TRAVELLING AND SUBSISTANCE POLICY**

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**1. INTRODUCTION**

To ensure the proper administration of all regulations regarding travelling and subsistence for employees, full-time and part time Councillors as well as their attendance of conferences, workshops and meetings, the formulation and up keeping of a comprehensive policy is essential.

**2. DEFINITIONS**

“delegate”  
Council to  
  
delegated by the  
  
workshops and work

Include any Employee who is delegated by the  
  
attend seminars and congress, or who is  
  
Municipal Manager to attend meetings,  
  
outside the municipal area.

Any Councillor 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”  
Municipality, regarded as  
  
circumstances and

vehicles of the Rustenburg Local  
  
suitable by the Municipal Manager for the  
  
trip to be undertaken.

“per night”  
when staying overnight.

**3. OBJECTIVE OF THE TRAVELLING AND SUBSISTANCE ALLOWANCE AND ATTENDANCE OF CONFERENCES, WORKSHOPS AND MEETINGS POLICY FOR EMPLOYEES.**

The objective of the policy is to create an organized and effective framework to enable Employees and Councillors 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.

#### **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 Councillors, 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 Councillors**

The general provision for Councillors, individual Directors must provide on their budgets for Councillors in their Directorates, to attend specific conferences, seminars, workshops and meetings, relevant to the duties of each Directorate, on a separate vote number.

After the delegates have been assigned, Councillors 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 Councillors 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 COUNCILLORS**

**7.1** The municipality must ensure that when the travelling forms are received with the correct vote numbers 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 fuel rates from the Department of Mineral Resources and Energy. The following must be attached or confirmed upon submitting a Travel and Subsistence 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 Accounting Officer
- 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 directorate.

**7.2** If an Employee or Councillors 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:

#### **7.2.1 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.

- c. *Councillors 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 Councillors 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 Councillors 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, fire 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. (Removed health inspections at dairy farms and ambulance services)*

7.2.1(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.

7.2.2(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.

**7.2.3 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 1 700.00/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.*

**Council may only approve accommodation that exceeds R1700  
(National Treasury New Accommodation Rates Annexure A - 2022)**

- during peak holiday periods
- 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.

- 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 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.
- d. Overnight accommodation must be limited to instances where the distance by road where the return trip exceeds 500 kilometers.
- e. 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.
- f. 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 7.2.3(h).

- g. 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 7.2.3(h).
- 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.
- i. 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.

#### **7.2.4 When staying overnight for work outside municipal area**

- a. 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.
- 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 7.2.5 shall be applicable.

#### **7.2.5 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 where the return trip exceeds 500 kilometers.
- 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 the incidental costs payable per day, provided that documentary proof of the actual expenditure is submitted.

#### **7.2.6 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.

#### **7.2.7 Applicants invited to attend interviews**

- 7.2.7.1 Incidental costs are 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.
- 7.2.7.2 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 cm<sup>3</sup> shall be payable, for running costs.
- 7.2.7.3 If proof of toll paid is submitted, the amount will be refunded.
- 7.2.7.4 An amount of the AA – tariff of a leaded running cost for a vehicle with engine capacity of 1800cm<sup>3</sup> - 2000 cm<sup>3</sup> shall be payable to interviewees.

## **8. TRAVELLING ALLOWANCE PAYABLE TO EMPLOYEES/ COUNCILLORS OF THE COUNCIL**

**8.1** If employees or Councillors 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 Councillor 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 to a maximum amount of 100% of the employee's annual salary, plus (Verify with SARS for extract to support)

- (ii) Running cost per kilometer, based on the engine cubic capacity of the vehicle concerned, with a maximum of 3 000 cm<sup>3</sup>, 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.

**(If travelling by train, the price of a first class train ticket is payable.)**

- d. 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.
- e. If travelling by luxury bus, the cost of a return-ticket is payable.
- f. 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. Duties of the Driver / Security Officer of the Mayor for trips outside the area of the Rustenburg Local Municipality.
- e. Fire Services.

## **9. CANCELLATIONS**

- a. The official must provide reasons for any cancellation in writing within 2 working days of the actual cancellation/ non-attendance to the SCM(Buyers) to determine liability for possible fruitless and wasteful expenditure.
- b. Unless properly motivated and approved by the Municipal Manager, the official will be held responsible for administration costs and/or costs for non-cancellation of reservations including non-attendance.
- c. If an official trip is cancelled or postponed, the official must write a memo for cancellation authorized by the relevant Manager and the Municipal Manager to inform the SCM(Buyers)/Creditors immediately.
- d. In cases where no cancellation letter was received and no motivation is submitted for non-attendance, these amounts may be deducted from the official's salary should no motivation be submitted and approved by the Municipal Manager. It is the responsibility of the delegate to ensure that the SCM(Buyers)/Creditors is notified of any cancellations and non-attendance.

Where extensions in all forms of travel are necessary, confirmation of such extensions must be authorized in writing according to Financial Delegations. (See Attached Delegation Form)

## **10. ACCOUNTABILITY**

- 10.1.1** If any employee or Councillor 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 Councillor concerned. If this is not done, discipline will proceed, after the matter has been assessed. This expenditure will be classified as fruitless expenditure.

- 10.1.2** 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 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.

## **11. VISIT ABROAD**

- 11.1.1** Applications for official trips abroad are handled in terms of the attached guidelines of the Department of International Relations and Cooperation for Local Government Officials, as provided by SALGA and guidelines from the Office of the MEC (circular attached).
- 11.1.2** Incidental Costs during visits abroad will be in line with the SARS determination, or as recommended by SALGA, whichever is greater.

## **12. 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.

- 12.1.1** 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.
- 12.1.2** 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).

### **13. 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 600cm<sup>3</sup>.
- 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 cm<sup>3</sup>.
- 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.

### **14. 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.

## **15. 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.

## **16. FORMS**

### **16.1 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.

## **17. CONTROL MEASURES**

### **17.1 Approval of journeys undertaken in terms of this policy, is as follows:**

#### **17.1.1 Congress / Seminars / Meetings / Work**

##### **Municipal Manager and Officials**

Delegates to be determined by means of this policy.

### **17.2 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.

## **18. RESPONSIBILITY FOR THE UP KEEP POLICY**

The responsibility for the administrative up keep of the policy is as follows:

Adjustments to tariffs:            Director: Budget and Treasury Office

Other adjustments:                Director: Corporate Support Services

**19. 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.

**Directorate: 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.  
South African Road Federation.

**Directorate: Technical and Infrastructure Services**

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).

**Directorate: Planning and Human Settlement**

Institute of Environment and Recreation Management.

South African Institute of Town and Regional Planners.

**Directorate: Budget and Treasury**

CIGFARO (Chartered Institute of Government, Finance, Audit and Risk 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 in relation to 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).

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

## RUSTENBURG LOCAL MUNICIPALITY APPLICATION FOR SUBSISTENCE AND/OR TRAVELLING ALLOWANCE (Councillors)

COUNCILLOR: \_\_\_\_\_ PAY NUMBER: \_\_\_\_\_

1. SUBSISTENCE ALLOWANCE				Office use only			
Departure from Rustenburg		Return to Rustenburg		Number of		Vote No	Amount
Date	Time	Date	Time	Days at R	Nights at R		

2. TRAVELLING ALLOWANCE			
2.1 Transport: Reg No: _____			
Official		Scheme Private	
2.2 Year, Model & cc _____			
2.3 Destination: _____			
2.4 Distance: _____ km @ R _____ (return)			
2.5 Fuel: Official vehicle (Vouchers attached)			
2.6 Other expenses (Attach vouchers e.g. toll-gate & parking)			
2.7 Public Transport (Bus, Air & Rail)			
2.8 TOTAL PAYABLE			

3. PURPOSE OF JOURNEY: \_\_\_\_\_

I hereby certify that the above-mentioned information is correct, that the journey that will be/was undertaken, is in the interest of the Council and that no money in regard with this claim was received from any other institution.

DATE \_\_\_\_\_ COUNCILLOR \_\_\_\_\_

4. AUTHORISATION: RESOLUTION NO: \_\_\_\_\_ DATE OF RESOLUTION \_\_\_\_\_

MUNICIPAL MANAGER: approved/not approved: \_\_\_\_\_ DATE \_\_\_\_\_

Comments: \_\_\_\_\_

EXECUTIVE MAYOR: approved/not approved: \_\_\_\_\_ DATE \_\_\_\_\_

Comments: \_\_\_\_\_

CHECKED ON BEHALF OF DIRECTOR: FINANCE: \_\_\_\_\_ DATE \_\_\_\_\_

5. DIRECTORATE: FINANCE : PETTY CASH VOUCHER

I hereby certify the above-mentioned to be correct and in accordance to my department and my budget vote as approved by the Council, that the vote number is correct and payment may proceed.

Paid by: \_\_\_\_\_ Director: Finance: \_\_\_\_\_ Witness: \_\_\_\_\_

I hereby acknowledge receipt of: R \_\_\_\_\_ : ( \_\_\_\_\_ )

\_\_\_\_\_

\_\_\_\_\_ COUNCILLOR

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

## RUSTENBURG LOCAL MUNICIPALITY APPLICATION FOR SUBSISTENCE AND/OR TRAVELLING ALLOWANCE

APPLICANT: \_\_\_\_\_ DIRECTORATE: \_\_\_\_\_  
POSITION: \_\_\_\_\_ JOB LEVEL: \_\_\_\_\_ PAY NUMBER: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_

1. SUBSISTENCE ALLOWANCE				Office use only			
Departure from Rustenburg		Return to Rustenburg		Number of		Vote No	Amount
Date	Time	Date	Time	Days at R	Nights at R		

2. TRAVELLING ALLOWANCE		Office use only	
2.1 Transport: Reg Year, Model & cc:	Transport <input type="checkbox"/> Official <input type="checkbox"/> Scheme <input type="checkbox"/> Private <input type="checkbox"/>		
2.2 Destination:			
2.3 Distance: _____ km @ R _____ (return)			
2.4 Fuel: Official vehicle (Vouchers attached)			
2.5 Other expenses (Attach vouchers e.g. toll-gate & parking)			
2.6 Public Transport (Bus, Air & Rail)			
2.7 TOTAL PAYABLE			
			R

3. **PURPOSE OF JOURNEY:**

I hereby certify that the above-mentioned information is correct, that the journey that will be/was undertaken, is in the interest of the Council and that no money in regard with this claim was received from any other institution.

DATE \_\_\_\_\_ APPLICANT: \_\_\_\_\_

4. **AUTHORISATION:** RESOLUTION NO: \_\_\_\_\_

EXECUTIVE MAYOR / MUNICIPAL MANAGER/DIRECTOR: \_\_\_\_\_ DATE: \_\_\_\_\_

CHECKED ON BEHALF OF DIRECTOR: FINANCE: \_\_\_\_\_ DATE: \_\_\_\_\_

5. **DIRECTORATE: FINANCE : PETTY CASH VOUCHER**

I hereby certify the above-mentioned to be correct and in accordance to my department and my budget vote as approved by the Council, that the vote number is correct and payment may proceed.

Paid by: \_\_\_\_\_ Director: Finance: \_\_\_\_\_ Witness: \_\_\_\_\_

I hereby acknowledge receipt of: R \_\_\_\_\_ : ( \_\_\_\_\_ )

APPLICANT: \_\_\_\_\_