approved		

DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
21(1)(b)	31 August	Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing	Mayor	Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality.		

72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury (presumably immediately).	Accounting officer	
54(1)(f)	31 January	Mayor must submit accounting officer's report to council.	Mayor	Special council meeting may have to be scheduled.
87	31 January or earlier if so requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must be submitted. However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers he municipality's own proposed adjustments budget.
87	(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.		It is not clear what person or structure in the parent municipality must

				perform this action, but the council seems the logical party. It would also make sense for the council to consider this budget by 31 January.
87	(Tabled in council by 31 January)	Board of directors of entity may, with approval of mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by mayor at next meeting of council of parent municipality. Adjustments budget must be made public.	Board of directors and mayor of parent municipality	Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the mayor at the same time that or before the entity's proposed budget for the new financial year is considered. Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered.
54(1) and (2)	(Between 31 January and 31 March)	If municipality faces "serious financial problems" mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer,	Mayor	Adjustments budgets may be prepared by the accounting officer, and

		including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only council may approve changes to service delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget).		tabled in council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when "serious financial problems" are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.
54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the mayor's approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but

				certainly not later than 31 March. See also 54(1) and (2).
87	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality.	Board of directors of entity	
16(2)	31 March	Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled.	Mayor	-
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer	
23(2)	Before 31 May	Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by council.	Mayor and council	-

24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council	Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.
87(4)	31 May	Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified. Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.
25(1) and (2)	Within 7 days of date of council meeting which failed to approve annual budget	If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, mayor, councillors and accounting officer must co-operate to ensure obstacles to approval

				timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)	Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the mayor approves these targets and KPIs, only the council may change them and then only following the approval of an adjustments budget. See Section 54(1)(c)).	Mayor	-
53(1)(c)(iii)(aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b).
16(1)	30 June	Annual budget must be approved by council	Council	-
53(3)(a) and (b)	14 days after approval of service delivery	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget	Mayor	Although this is not specified as a requirement, logic

	and budget implementation plan (mid July to mid August, depending on date plan approved)	implementation plan), and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government.		dictates that copies of the service delivery and budget implementation plan should also be submitted to council and the MEC.

BUDGET PROCESS POLICY

Umzumbe

MUNICIPALITY

• BUILDING A BETTER FUTURE •

1. Objective

1.1. The objective of this policy is to set out the budgeting principles which the municipality will follow in preparing each annual budget, as well as the responsibilities of officials in compiling such a budget.

1.2. The policy also seeks to ensure that there is sufficient funding and reserves within the budgeting process to ensure long term financial stability of the municipality.

1.3. The Municipality shall comply with the provisions of this policy in the compilation of each of its budgets.

2. Compliance with Legal Provisions

In the process of preparing the budget, the Municipality, its Mayor, political office bearers, Municipal Manager, Chief Financial Officer and other officials shall comply with all relevant legal requirements, including in particular:

2.1. the provisions of Chapter 4 (Sections 15 to 33) of the Local Government: Municipal Finance Management Act, 2003 (“the MFMA”), as well as Sections 42, 43, 53, 54,55, 68, 69, 70, 71, 72, 75, 80, 81 and 83 thereof; and

2.2. the Municipal Budget and Reporting Regulations (“the Regulations”) published in terms of Section 168 of the MFMA under General Notice 393 of 2009; and

2.3. all relevant budget-related circulars and notices issued by the National Treasury.

3. Budget Steering Committee

3.1 The Mayor of the Municipality shall establish a Budget Steering Committee as required by Regulation 4 of the Regulations.

3.2 The function of the Budget Steering Committee is to formulate the proposed policies for framing the upcoming annual budget and for steering the budget process through to completion.

3.3 The Budget Steering Committee has been established as the Senior Management of the municipality referred to as the TOPMANCO (Top Management Committee) with the inclusion of all managers below senior managers referred to as EXTENDED MANCO as well as the Mayor or delegated councilor.

3.4 The Budget Steering Committee may also report to the EXCO in terms of good governance.

4. Role of Mayor

4.1. As provided in Section 21(1) of the MFMA, the Mayor is responsible for :

4.1.1. Co-ordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan ("IDP") and budget related-policies;

4.1.2. Tabling in the council a time schedule outlining key deadlines.

4.2. In addition, as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor is required to:

4.2.1. Take into account the Municipality's IDP;

4.2.2. Take all reasonable steps to ensure that the Municipality revises the IDP;

4.2.3. Take into account the national budget, the provincial budget, the national government's fiscal and macro-economic policy, the Annual Division of Revenue Act and any agreements reached in the budget forum;

4.2.4. Consult the relevant district municipality, if applicable, and local municipalities within the district, the provincial treasury, and when requested, the national treasury, and any national organs of state as may be prescribed;

4.2.5. Provide on request information to the National Treasury and other organs of state and other municipalities affected by the budget.

4.3. The Municipal Manager, the Chief Financial Officer and all other managers who are directly accountable to the Municipal Manager shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information as contemplated above.

5. CFO Responsible for Preparation of Budget

5.1. Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft budget.

5.2. The Municipal Manager shall delegate to the Chief Financial Officer all such powers as may be necessary for the Chief Financial Officer to perform the abovementioned function.

5.3. The Municipal Manager shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget.

5.4. The Chief Financial Officer and IDP manger shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

6. Budget Time Schedule

6.1. The Chief Financial Officer shall draft the budget time schedule as required by Section21 (1) (b) for the ensuing financial year for the Council’s approval.

6.2. Such time schedule shall indicate the target dates for the draft revision of the IDP and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.

6.3. Such time schedule shall provide for the deadlines, unless the Mayor, after consultation with the Chief Financial Officer, determines otherwise: provided that the requirements of the MFMA shall at all times be adhered to.

6.4. The Municipal Manager together with the Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.

7. Budget to be Balanced

The annual or adjustments budget shall be approved by the council only if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed expenses.

8. Funding of Expenditure

8.1. An annual budget may be funded only from:

8.1.1. Realistically anticipated revenues to be collected;

8.1.2. Cash-backed accumulated funds from previous years’ surpluses not committed for other purposes;

8.1.3. Borrowed funds, but only for capital projects.

8.2. All expenses shall be cash-funded. All redemptions of external loans shall be transferred in cash to the external financing fund from the department to which the advance was made.

9. <u>Zero -Based Budgeting</u>

Except in so far as capital projects represent a contractual commitment of the Municipality extending over more than one financial year, the annual budget shall be prepared from a zero base.

10. <u>Contents of Budget</u>

10.1. The budget must be in the prescribed format, and must be divided into a capital and an operating budget.

10.2. The budget must reflect the realistically expected revenues by major source for the budget year concerned.

10.3. The expenses reflected in the budget must be divided into the votes of the various departments of the municipality.

10.4. The budget must also contain:

10.4.1. the foregoing information for the two years immediately succeeding the financial year to which the budget relates;

10.4.2. the actual revenues and expenses for the previous financial year , and

10.4.3. the estimated revenues and expenses for the current year.

10.5. The budget must be accompanied by all of the documents referred to in Section17 (3) of the MFMA.

10.6. For the purposes of Section 17(3)(k), the salary, allowances and benefits of each person referred to therein must be sated individually.

11. <u>Sequence of Capital and Operating Components</u>

11.1. The annual budget and adjustments budget shall be prepared according to the following sequence :

11.1.1. first, the operating component., and

11.1.2. second, the capital component

11.2. The operating component shall duly reflect the impact of the capital component on:

11.2.1. depreciation charges;

11.2.2. repairs and maintenance expenses;

11.2.3. interest payable on external borrowings; and

11.2.4. other operating expenses.

11.3. Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to in 11.2.1 to 11.2.4.

12. Capital Replacement Reserve

12.1. The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets.

12.2. Such reserve shall be established from the following sources of revenue:

12.2.1. unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;

12.2.2. interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;

12.2.3. further amounts appropriated as contributions in each annual or adjustments budget; and

12.2.4. Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

13. Financing of Capital Budget

The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

14. Determination of Votes

In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply with the prescribed budget format of National Treasury.

15. Provisions for Leave, Bad Debts and Obsolescence

15.1. The municipality shall establish and maintain a provision for accrued leave entitlements of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

15.2. The municipality shall establish and maintain a provision for bad debts in respect of its approved rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

15.3. The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

16. Provision for Maintenance

The Municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy.

17. Salaries and Allowances

The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 35% of the aggregate of the operating & capital budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be included in this limit.

18. <u>Depreciation and Finance Charges</u>

18.1. Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.

18.2. Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

18.3. The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, and the apportionment of interest payable to each vote.

19. <u>Self Insurance Reserve</u>

19.1. The chief financial officer shall with the approval of the mayor and the municipal manager, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.

19.2. The Chief Financial Officer shall determine the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve.

20. Allocation of Interest Earned

The allocation of interest earned on the municipality's investments shall be budgeted for, subject, however, to any terms and conditions relating to the treatment of interest which may be attached to any grant made to the Municipality in terms of the banking and investment policy.

21. Indigent Relief

The cost of indigent relief must be separately reflected in the appropriate votes.

22. Allocations from Other Organs of State

Allocations from other organs of state shall be properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

23. Rates as a Source of Income

In preparing its revenue budget, the Municipality shall strive to maintain realistic revenues from property rates in terms of its property rates policy.

24. Impact of Rates and Tariffs and Interest on arrear accounts

When considering the annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs and the charging of interest on overdue accounts will have on the monthly municipal accounts of households in the municipal area. Taking into consideration the area dynamics, realistic recovery and incentives to recover debt, Council is of the view that rates randages will remain unchanged and no interest on arrear accounts will be levied until such time recovery is sufficient and adequate.

25. Determination of Growth Factors

The Chief Financial Officer shall, with the approval of the mayor and the municipal manager, and having regard to the municipality's current financial performance, determine the recommended aggregate growth factor(s) using the National Treasury Guidelines.

26. Publication of Annual Budget

In accordance with Section 22 of the MFMA, the Municipal Manager shall ensure that immediately after the annual budget is tabled in the Council:

26.1 The budget is made public in accordance with the provisions of Section 17(3) of the Local Government: Municipal Systems Act;

26.2 The local community is invited to make submissions in regard to the budget;

26.3 The budget is submitted to the National Treasury and Provincial Treasury in printed and electronic formats;

26.4 The budget is submitted to any prescribed organs of state and to other municipalities affected by it.

27. Consultations on Tabled Budgets

The Municipality shall, after the annual budget is tabled, consider the views of the local community, the National and Provincial Treasuries, organs of state and municipalities which made submissions on the budget, as required by Section 23 of the MFMA, and shall comply with all other requirements of that section

28. Approval of Annual Budget

The Council shall approve the budget in accordance with the provisions of Section 24 of the MFMA, failing which, the municipality shall be subject to the provisions of Section 25 of the MFMA.

29. Monthly Budget Reports

The chief financial officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall furnish the chief financial officer with all explanations required for deviations from the budget. The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

30. Related Policies

This policy must be read in conjunction with any other budget –related policies of the Municipality

31. Review of Policy

This policy is to be reviewed annually prior to the budget process commencing.

32. Responsibility for Implementation

The Municipal Manager shall be responsible for the implementation of this policy, provided that the Municipal Manager shall delegate such powers to the Chief Financial Officer as may be required under paragraph 5.2 of this policy.

Commencement

~~33.~~ This policy shall come into effect upon adoption by Council.

UMZUMBE MUNICIPALITY
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TARIFFS

(Effective from 1 July 2022)

		2022/2023 (R)	2021/2022 (R)
1	**HALLS**		
1.1	Deposit - Hall	200	200
1.2	Hall hire	300	300
2	**TENDER**		
2.1	Sale of tender documents	500	500
3	**RATES**		
3.1	Place of worship	0.0025	0.0025
3.2	Agricultural-small holding	0.0025	0.0025
3.3	Agricultural	0.0025	0.0025
3.4	Business/Commercial/Industrial/Mining	0.01	0.01
3.5	Public service property /State owned / Vacant land	0.01	0.01
3.6	Communal land/Communal property association	0.0025	0.0025
3.7	Public service infrastructure	0.0025	0.0025
3.8	Residential	0.01	0.01
3.9	Public benefit organisation	0.0025	0.0025

4	**OTHER**		
4.1	Valuation roll	500	500
4.2	Rates clearance certificate	100	100
4.3	Rates assessment fee	200	200
4.4	Business licence application	230	230
4.5	Refuse Removal	1 342.00 per lift	1 342.00 per lift

5. Municipal Town Planning Tariffs for Financial Year 2022/2023	
Fee payable in respect of applications in terms of the MFMA 56 of 2003, Municipal systems Act 32 of 2000, Spatial Planning and Land Use Management Act, No. 06 2013, Umzumbe Municipality Spatial Planning and Land Use Management By-Laws, 2016 and fees payable in respect of special consent application in terms of Section 67 bis of the Ordinance 27 of 1949 as amended	
	2022/2023
Town Planning General	
Copy of the Town Planning Scheme	R1000
Copy of clauses, per page	R40
Township Establishment	R 3,479.00
Zoning certificate	R 60
Advertising Costs	
One application	R 2,289.60
Multiple application	R 2,862.00
Public notice – registered letters***	R 240
Public notice – site notice****	R 100
Public notice (known address) – newspaper advertisement****	R 1 400
Public notice (unknown address) – newspaper advertisement****	R 5 300
Scheme related Costs	
Application for relaxation of building lines in terms of scheme	R 250.00
Add new area to Scheme	R 1,500.00
Change of Act 70 of 70 zone to any other zone	R 2,000.00
Change of any other zone to Industry	R 2,500.00
Commercial land use less than 5000sqm	R 3,500.00
Municipal land to any other use	R 1,500.00
Any other land use to industry	R 2,500.00
From community facility land use to any other use	R 1,500.00
Any other land use to community facility	R 1,000.00
Consent to operate home industry (without additional employment opportunities)	R 500.00
Infrastructure (telecommunications)	R 1,500.00
Non-residential(Commercial developments, petrol filing stations, shops, factories	R 5000.00
Consent in terms of SDF	

Application for consent (previously known as Special Consent)	R 1,000.00
Title Deeds	
Alterations, Suspension and Removal of restrictive Title Conditions	R 1,888.92
Relaxation of Title Conditions with Municipal Consent	R 250.00
Closure of Roads / Open Space	
Closure of Roads / Open Space	R 2000.00
Amend, Phasing or cancellation of layout	
Phasing of approved layouts	R 2000.00
Cancellation or phasing of layouts	R 3000.00
Application for a subdivision (rem = a subdivision):	
Basic fee= 2 Ervens	R250
Additional fee for each subdivision if <2 Ervens	R500
Additional fee for each subdivision if 5 or more Ervens	R1000
Amendment of existing subdivision	R250
Consolidation	R
Basic fee= 2 Ervens	R250
Additional fee for each consolidation if <2 Ervens	R500
Additional fee for each consolidation if 5 or more Ervens	R1000
Development outside a scheme area	
Formal authority (previously known as written consent / consent)	R 100
Residential >80m2 and multiple storey buildings	R250
Residential 80m2 or less	Exempted
Cottages/Flat Commune Units 1-4	R 1,717.20
Cottages/Flat Commune Cottages Units 5-30	R 2,289.60
Cottages/Flat Commune Units-31 or more	R 2,862.00
Non-residential(Commercial developments, petrol filing stations, shops, factories	R 5000.00
Infrastructure (telecommunications)	R 1,946.16
Agricultural activities - sheds, etc.	R 1,144.79
Religious purposes	NIL
Activities 50 m2 or smaller	NIL
Municipal Projects	NIL
Fines/Penalties	
Section 85 of SPLUMA and Sections 87 and 88 of By-Laws	R150.00
Section 85 of SPLUMA and Sections 87 and 88 of By-Laws	**AS PER COURT ORDER**
Additional penalties in accordance with section 88 of By-Laws	AS PER COURT ORDER
Appeal fee In terms of Sect.62 of Municipal Systems Act, 2000 and Section 57 of By-Laws per appeal lodged	R 9,063.00
Combined Applications	R1000
Development Upgrade	R1500
Rezoning (Any Other)	R 1,500.00
Commercial, Garage, Service Station purposes	R6000
(payable per maximum permitted FAR per m2)	
1 - 1000m2	Additional R 600
1001 5000m2	Additional R 800
5001m2 >	Additional R 1000

Light Industrial purposes	
(payable per m2 of land)	R4000
1 - 1000m2	Additional R 600
1001 - 5000m2	Additional R 800
5001m2 >	Additional R 1000
Extractive Industry purposes	R10 000
(payable per m2 of land)	
1 - 1500m2	Additional R 600
1501 - 5000m2	Additional R 800
5001m2 >	Additional R 1000
From Agricultural purposes to Special Residential / Residential Only	R 15,000.00
From Agricultural purposes to Commercial	R25 000
From Residential to Office purposes	R5000
(payable per maximum permitted FAR per m2)	R 45.00
Any zone to a zone that permits Medium Density Housing / Multi Family Dwellings / Residential Buildings (payable per maximum permitted FAR per m2)	R7000
1 - 50m2	R0
51 - 100m2	R150
101m2 >	R250
To any zone that only permits Medium Density Housing (payable per maximum number of units per unit)	
1 - 50	R 10 000.00
>51	R 15 000.00
Worship purposes	Nil
Educational purposes	Nil
Guest Lodge purposes	R 1500.00
Place of Public Assembly (Excluding Religious purposes)	R 3000
Second Dwelling Units or additional dwelling unit	R250
Restaurant	R 1000
Crèche	
1 - 10 children	R0
11 - 30 children	R 100
31 - 50 children	R 150
51>children	R 200
Veterinary Clinic	R 1,500.00
Agricultural Industry	R 15,000.00
GIS Printing	
Aerials and Schemes	
A0	R 30.00
A1	R 20.00
A2	R 15.00
A3	R 8.00
A4	R 50.00
Photocopying (Colour)	
A0	R30
A1	R20
A2	R10
A3	R6

A4	R4
Photocopying (Black & White)	
A0	15
A1	10
A2	5
A3	3
A4	2
Cadastral	
A0	R 250.00
A1	R 200.00
A2	R 150.00
A3	R 80.00
A4	R 50.00
Tariffs for AD-HOC Duties relating to planning	
Bus Permits	R650.00
Taxi Permits renewal	R550.00
Meter Taxis	R300.00
School Transport Renewals and Applications	R200.00
<80m^2 Residential lease agreements acknowledgement letter excluding subdivision	R Nil
<80m^2 Residential lease agreements acknowledgement letter with subdivision/s	R50.00
>80m^2 Residential lease agreements acknowledgement letter excluding subdivision	R50.00
>80m^2 Residential lease agreements acknowledgement letter with subdivision/s	R50.00
Business lease agreements acknowledgement letter excluding Taverns	R200.00
Tavern lease agreements acknowledgement letter	R550.00
Lease agreement on Municipal Land Residential	R350.00 per month
Lease agreement on Municipal Land Non-Residential	R100 = 500m^2 pm R250 = 1000m^2 pm R500 = 1500m^2 pm R1000 = 2000m^2 pm R1500 – R2000 = for More
Sand Mining lease agreement acknowledgement letter	R250.00
Building Plan and Building Control	
Building Plan Submission for Approval	
Residential:	1st 10 m^2= R350.0O, Thereafter R3.00 / m^2
Business:	1st 10 m^2= R500.0O, Thereafter R5.00 / m^2
Amended plans with no increase in floor area	R655.00
Swimming pool/tennis court	R275.00
Temporary buildings for 6 months period(maximum 18 months)	R395.00
Inspections: per inspection	R265.00
Re-Inspection fees: per inspection	R100.00
Boundary wall exceeding 1.8M in height(above NGL)	R655.00
Fee for obtaining a demolition permit	R395.00

OUTDOOR ADVERTISING	**2022/2023**
PERMANENT SIGNS	
(12 months)	R250.00
(6 months)	R110.00
Feeds onto Municipal Digital Board	R250 = 2 weeks R500 = 2 months R650 = 3 months
TEMPORARY SIGNS 0-20 Posters	R30.00
21-50 Posters	R45.00
Refundable Deposit	R150.00
BILLBOARDS OF MAJOR CORPORATIONS **On Private Property per sign/monthly**	R800.00
On Ingonyama Trust Board / State Land	R350.00
On Council Property per sign/monthly	R600.00
ELECTION ADVERTISEMENT, PER PARTY, PER CANDIDATE Refundable Deposit per candidate	R300.00
BANNERS **Temporary per banner**	R210.00
FLAGS **Permanent per flag**	R150.00
Temporary per flag	R100.00
ADVERTISEMENT TROLLEYS **Per Month**	R50.00

TARIFFS POLICY

Umzumbe

MUNICIPALITY

BUILDING A BETTER FUTURE

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a) **Definitions**

"Systems Act" means local Government: Municipal Systems Act, 2000(act No. 32 of 2000).

b) **Introduction**

A Tariff policy must be compiled, adopted and implemented in terms of section 74 of the systems act, 200 such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The tariffs Policy has been compiled taking into account, where applicable, the guidelines set out in section 74.

In setting its annual tariff the council shall at all times takes due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which owns its tariffs may have on Local Economic Development.

c) **Principles**

3.1 Service tariffs imposed by the local municipality shall not be viewed as Taxes, and therefore the ability of the relevant consume or user of the services to which such tariffs relate, shall not be considered as a relevant criterion(except in the case of the indigence relief measures approved by the municipality from time to time).

3.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

3.3 Tariffs for the four major services rendered by the municipality, Namely:

- Water
- Electricity
- Refuse removal (solid waste)
- Sanitation shall as far as possible, recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

3.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentages as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

3.5 The municipality shall develop, approve and at least annually review an indigence support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposed on other users and consumers in the municipal region.

3.6 In line with the principles embodied in the constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable and shall be fully disclosed in each annual budget.

3.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

3.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers affected by tariff policy concerned.

3.9 The municipality also undertakes to render its services cost effective in order to ensure the best possible cos of service delivery.

3.10 In the case of directly measurable service, namely electricity, the consumption of such service delivery shall be properly metered by the municipality and meters shall be read wherever circumstances reasonable permit on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of service which they consume. In addition, the municipality shall levy monthly availability charges for the service concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned, and another directly related to the consumption of the service in question.

3.11 In considering the cost of its electricity service, the municipality shall take due cognisance of the high capital cost of establishing and expanding such service and of the resultant high fixed cost, as opposed to variable cost of operating the service . The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both the current and reasonable expected future demands are adequately catered for and that demand level which fluctuates significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods and the cost of such surplus capacity must also be covered in the tariffs which are annually levied.

3.12 In adopting what is fundamentally a two-pat tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery. It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this and the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay relevant demand charges as well as service charge directly related to their actual consumption of electricity during the relevant metering periods.

d) Calculation of tariffs for Major services

4.1 Cost of operation

4.1.1 In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the cost of operation of the undertakings concerned, including specifically the following:-

a) Cost of bulk purchases in the case of electricity and water.
b) Distribution cost, including distribution losses in the case of water and electricity.
c) Depreciation and finance charges
d) Maintenance of infrastructure and other fixed assets
e) Administration and service cost, including

- ✓ Service charges levied by other departments such as finance, human resources and legal services
- ✓ Reasonable general overheads, such as the cost associated with the office of the Municipal Manager
- ✓ Adequate contributions to the provisions for bad debts and obsolesces stock
- ✓ All other ordinary operation expenses associated with service concerned.

4.1.2 Including, in the case of the electricity service, the cost of providing street lightning in the municipal area (note: the costs of democratic process in the municipality that is, all expenses associated with the political structure of the municipality shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the Municipality).

The intended surplus to be generated for the financial year, such surplus to be applied:-

- ✓ An apportionment to capital reserves and /or
- ✓ Generally in relief of rates and general services.

4.1.3 The municipality shall provide the first 50kWhof electricity per month free of charge to consumers who have registered as indigents in terms of the indigence relief programme. The municipality shall further consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the council deems such relief reasonable affordable in in terms of such annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the amount for the service concerned.

4.1.4 Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied in properties where pre-paid meters have been installed. This distinction is made in recognition of the financial advantages which pre-paid metering entails the services in question.

4.2 Electricity

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustment shall be effective from 01 July each year. Categories of consumption and charges shall be as follows:-

a) With single exception of registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
b) The tariff for domestic consumption of electricity shall not exceed 75% per kWh of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh.
c) All electricity consumers of the municipality who are registered and indigents with the municipality shall receive.
d) Free the first 50kWh of electricity consumed per month.
e) All domestic electricity consumers other that registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.
f) All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and where applicable, a demand charge appropriate to their respective levels of consumption.
g) The local municipality's departmental electricity consumption shall be charged at cost.

4.3 Water

4.3.1 The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

4.3.2 Tariff adjustment shall be effective from 01 July each year.

4.3.3 Categories of consumption and charges shall be:-

a) All domestic water consumers registered as indigents with the municipality shall receive free the first 6 (six) kilolitres water consumption per month. There after a stepped tariff per kilolitre as determined by the council from time to time shall be applicable on metered water consumption, as set out in paragraph 4 of this policy.
b) All other domestic consumers shall be charged for actual water consumption at the stepped tariff per kilolitre as determined by the council form time to time, and as set out in paragraph4 of this policy.
c) The tariff applicable to domestic consumption of water shall not exceed 75% per kilolitre of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same single tariff per kilolitre, irrespective of the volume of water consumed.
d) A basic charge per meter, as determined by the council from time to time, shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
e) The local municipality's departmental water and consumption shall be charged at cost.

4.4 Refuse Removals

4.4.1 The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

4.4.2 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the cost of the service concerned:-

a) Domestic and other users(Once weekly removal)
b) Business and other users (twice weekly removal)
c) Business and other users (thrice weekly removal)
d) Business and other (bulk consumers)

4.4.3 Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge.

4.4.4 Tariff adjustment shall be effective form 01 July each year.

4.4.5 A fixed monthly charge shall be charged to the local municipality's department equal to the lowest (domestic) tariff.

e) Categories of usage and Charges

5.1 A basic (availability) charge per month shall be charged for undeveloped erven.

5.2 A fixed monthly charge based on the cost of the service shall be charged for bucket removal for domestic users. Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the amount billed for this service.

5.3 A fixed monthly charge based on the cost of the service shall be charged for domestic users. Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, on the understanding that such discount shall not be less than 50% of the amount billed for the service.

5.4 A fixed monthly charge based on the costs of the service per sewer point/toilet shall be charged at all businesses, industries and institutional users.

5.5 A fixed monthly per sewer/point shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

5.6 An influent fee shall further be payable by factories and other industrial users where the wastewater emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the wastewater concerned and the cost of the purification.

5.7 Tariff judgment will be effective from 01 July each year.

f) Minor Tariffs

6.1 All minor tariffs shall be standardises within the municipal region. All minor tariffs shall be approved by council in each annual budget, and shall, when deemed appropriate by the council, 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.

6.2 All minor tariff over which the municipality has full control shall annually be adjusted as least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

6.3 Minor tariff shall include the following:-

a) Cemetery fees
b) Housing rentals
c) Library fees(e.g. membership fees, fines, lost books, lost membership fees)
d) Rentals for the use of municipal premises
e) Rentals for the lease of municipal property
f) Rentals for the lease of municipal property
g) Building plan fees
h) Advertising fees
i) Plastic bag sales
j) Refuse bin sales
k) Cleaning of stands
l) Sewerage connection fees
m) Photostat copies and faxes
n) Clearance certificates
o) Electricity: disconnection and reconnection fees
p) Electricity: new connection fees
q) Penalty and other charges in terms of the credit control and debt collection policy
r) Supply of information
s) Water
t) Garden refuse removal Licence fees(drivers, learner licence and roadworthy)

MUNICIPAL PROPERTY RATES BY-LAWS

Municipal notice no. 2 of 2014

Umzumbe municipality, hereby, in terms of section 6 of the Local Government: Municipal Property Rates Act, 2004, has by way of council resolution c/9.1/05/2015 adopted the Municipality's Property Rates By-law set out hereunder.

PREAMBLE

WHEREAS section 229(1) of the Constitution requires a municipality to impose rates on property and surcharges on fees for the services provided by or on behalf of the municipality.

AND WHEREAS section 13 of the Municipal Systems Act read with section 162 of the Constitution require a municipality to promulgate municipal by-laws by publishing them in the gazette of the relevant province.

AND WHEREAS section 6 of the Local Government: Municipal Property Rates Act, 2004 requires a municipality to adopt by-laws to give effect to the implementation of its property rates policy; the by-laws may differentiate between the different categories of properties and different categories of owners of properties liable for the payment of rates;

NOW THEREFORE BE IT ENACTED by the Council of Umzumbe Municipality, as follows:

ARRANGEMENT OF SECTIONS

Section

1. Definitions
2. Rates policy
3. Rating of property
4. Principles
5. Categories of property
6. Categories of owners of property
7. Differential rating
8. Rates relief
9. Deferment of rates
10. Rates increases
11. Impermissible rates
12. Compulsory phasing-in of certain rates
13. Short title
14. Commencement

1. Definition

In this by-law, unless the context indicates otherwise-

"Act" means Local Government: Municipal Property Rates Act (Act 6 of 2004);

"actual use" in relation to the categorisation of property refers to the actual use of the property as determined by the municipal valuer;

"annually" means once every financial year;

"category"-

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

"dominant use" In relation to a property means a property used for more than one purpose subject to section 9 (1) (b) of the Act and the following criteria applies -

(a) A dominant use approach may be applied to developed property located within the area of an approved town planning scheme granted in terms of any planning law;

(b) The dominant use is the highest percentage use of all actual uses determined by predominant use and as determined by the Municipal valuer.

(c) The dominant use category of property will then be applied to the levying of rates.

"Exemption" in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Municipality Property Rates Act.

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

"municipal council" or **"council"** means a municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"municipality" –

(a) As a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and

(b) As a geographical area, means a municipal are demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"municipal valuer or valuer of a municipality" means a person designated as a municipal valuer in terms of section 3391) of the Municipal Property Rates Act.

"municipal valuation" means a valuation of a rateable property within the municipal area by the municipal valuer in terms of the Act.

"Owner" –

in relation to a property referred to in paragraph (a) of the definition of "property", means a person in whose name ownership of the property is registered;

(a) in relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name the right is registered;

'(bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1993 (Act No: 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

(bB) in relation to a share in a block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);

(bC) in relation to buildings, other immovable structures and infrastructure referred to in

section 17(1)(f), means the holder of the mining right or the mining permit;

(b) in relation to a land tenure right referred to in paragraph (c) of the definition of "property" means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

(c) in relation to public service infrastructure referred to in paragraph (d) of the definition of "property", means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled"

(i) provided that a person mentioned below may for the purposes of this policy be regarded by a municipality as the owner of a property in the following cases:

(ii) A trustee, in the case of a property in a trust excluding state trust land;

(iii) An executor or administrator, in the case of a property in a deceased estate;

(iv) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

(v) A judicial manager, in the case of a property in the estate of a person under judicial management;

(vi) A curator, in the case of a property in the estate of a person under curatorship;

(vii) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

(viii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or

(viiii) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.

"permitted use" in relation to property, means the limited purposes for which the property nay be used in terms of-

Any restriction imposed by-

(i) A condition of title;
(ii) A provision of a town planning or land use scheme; or
(iii) Any legislation applicable to any specific property or properties; or
(iv) Any alleviation of any such restrictions;

"Public benefit organization" means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act.

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

(a) A public entity listed in the Public Finance Management Act, 1999 (Act No.1 of 1999);
(b) A municipality; or
(c) A municipal entity as defined in the Local Government; Municipal Systems Act, 2000 (Act No. 32 of 2000);

"public service infrastructure" means publicly controlled infrastructure of the following kinds:

(a) National, provincial or other public roads on which goods, services or labour move across the municipal boundary;
(b) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
(c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
(d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
(e) Railway lines forming part of a national railway system;
(f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
(g) Runways or aprons at national or provincial airports;
(h) Breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigation aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
(i) Any other publicly controlled infrastructure as may be prescribed in terms of section 83 of the Act; or
(j) Rights of way, easements or servitudes in connection with infrastructure mention in paragraphs (a) to (i).

“property” means-

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

“rate” means a municipal rate on property envisaged in section 229 (1) (a) of the Constitution, 1996.

“rate policy” means the policy adopted by the municipal council in terms of the Act;

“Rateable property” means a municipal rate or property on which a municipality may in terms of section 2 of the Municipality Property Rates Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Municipal Property Rates Act

“Rebate”, in relation to a rate payable on a property, means a discount granted in terms if section 15 of the Municipal Property Rates Act of the amount for which the property was valued and the rating of the property at that lower amount.

“Reduction”, in relation to a rate payable on a property, means the lowering in terms of section 15 of the Municipal Property Rates Act of the amount for which the property was valued and the rating of the property at that lower amount.

2. Rates policy

(1) The municipal council must, by resolution, adopt a policy on the levying of rates on rateable property in the municipality.
(2) The rates policy adopted by the municipal council in terms of subsection (1) must comply with the provisions of the Act.
(3) The municipal council must annually review and, if necessary, amend its rates policy.

3. Rating of property

(1) In terms of section 2 (3) of the Act the municipality must levy rates on all rateable property subject to:
   (a) Section 229 of the Constitution;
   (b) The provisions of the Act;
   (c) The rates policy adopted by the Council;
   (d) Any other applicable legislation.

4. Principles

The rates policy adopted by the municipal council must comply with the following principles-

(a) All ratepayers within a specific category, as determined but the municipal council from time-to-time, must be treated equitably
(b) A fair and transparent system of exemptions, rebates and reductions must be adopted and implemented by the municipality;
(c) Relief measures in respect of the payment of rates may not be granted on an individual basis, other than by way of exemption, rebate or reduction;

(d) Exemptions, rebates and reductions must be used to alleviate the rates burden on-
   (i) The poor;
   (ii) Public benefit organizations; and
   (iii) Public service infrastructure; and
(e) Provision must be made for the promotion of local, social and economic development.

5. Categories of property

(1) For the purpose of levying different rates on different categories of property, the municipal council may-
   (a) Determine different categories of property; and
   (b) Provide criteria for determining different categories of property.

(2) The rates policy adopted by the municipal council in terms of section 2(1) must specify-
   (a) Different categories of property determined by the municipal council in terms of subsection (1) (a); and
   (b) The criteria for determining different categories of property provided by the municipal council in terms of subsection (1)(b).

(3) The criteria for determining different categories of property provided by the municipal council in terms of subsection (1)(b) may include, but are not limited, to-
   (a) The actual use of the property;
   (b) The permitted use of the property;
   (c) The dominant use of the property;
   (d) The size of the property; or
   (e) The geographical area in which the property is located.

6. Categories of owner

(1) For the purpose of levying rates on different categories of property or for the purpose of granting exemptions, rebates or reductions, the municipal council may-
   (a) Determine different categories of owners of property; and
   (b) Provide criteria for determining different categories of property.

(2) The rates policy adopted by the municipal council in terms of section 2(1) must specify-
   (a) Different categories of owners of the property determined by the municipal council in terms of subsection (1)(a); and
   (b) The criteria for determining different categories of owners of property provided by the municipal council in terms of subsection (1) (b).

(3) The criteria for determining different categories of owners of property provided by the municipal council in terms of subsection (1)(b) may include, but are not limited, to-
   (a) The age of the owner of the property;
   (b) The income of the owner of the property;
   (c) The source of income of the owner of the property;
   (d) The occupation of the owner of the property;
   (e) The market value of the property;
   (f) The use of the property; and
   (g) Disasters or any other serious adverse social or economic condition.

7. Differential rating

(1) Subject to and in conformity with the Act, the municipality may levy different rates on different categories of rateable property.

(2) If the municipal council chooses to levy different rates on different categories of property, it must exercise this power in accordance with the criteria the municipal council is required to determine in terms of section 3(3)(b)(i) of the Act.

(3) The criteria determined by the municipal council in terms of section 3(3) (b) (i) of the Act must be specified in the rates policy adopted by the municipal council in terms of section 2(1).

(4) If the municipal council chooses to levy different rates categories of property, it must determine the method in terms of which different rates will be levied against different categories of property.

(5) The method determined by the municipality in terms of subsection (4) must be based on setting a different cent amount in the Rand for each category of property;

(6) The method determined by the municipality in terms of subsection (5) must be specified in the rates policy adopted by the municipal council in terms of section 2(1).

8. Rates relief

(1) Subject to and in conformity with the Act and the rates policy, municipality may grant an exemption, rebate or reduction to-

(a) The owners of any specific category of property; or

(b) Any specific category of owners of property;

From the payment of rates.

(2) Applications for exemptions, rebates and reductions must be made in accordance with the procedures determined by the municipality.

(3) The procedures applied by the municipality in terms of subsection (1) must be specified in the rates policy adopted by the municipal council in terms of section 2(1).

(4) The municipality retains the right to refuse an application for an exemption, rebate or reduction if the application is not in accordance with the criteria and procedures contained in the rates policy.

(5) The municipality will not grant relief to the owners of property on an ad hoc or individuals basis.

9. Deferment of rates

The municipality may, on application, defer the payment of rates in terms of section 26(3) of the Act, the rates policy, credit control policy and by-laws.

10. Rates increases

(1) Subject to and in conformity with the Act, the municipal council may increase the rates levied on rateable property in the municipality.

(2) If the municipal council chooses to increase the rates it levies on properties in the municipality, it must exercise this power in accordance with the criteria the municipal council is required to determine in terms of section 3(3)(b)(iv) of the Act.

(3) The criteria determined by the municipal council in terms of section 3(3) (b) (iv) of the Act must be specified in the rates policy adopted by the municipal council in terms of section 2(1).

11. Impermissible rates

The municipality may not levy rates on properties as prescribed in sections 16 and 17 of the Act.

12. Compulsory phasing-in of certain rates

A rate levied on a newly rateable property must be phased-in over a period as prescribed in section 21 of the Act.

13. Short title

This by-law is called the Umzumbe Municipality Property Rates By-Law.

14. Commencement

This by-law comes into effect on 01 July 2021.

Cost Containment Measures Policy

DATE OF ADOPTION: MAY 2019

1. PURPOSE OF POLICY

Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

In terms of the legal framework, the elected councils and accounting officers are required to institute appropriate measures to ensure that the limited resources and public funds are appropriately utilised to ensure value for money is achieved.

The purpose of this policy is to guide the municipality on cost containment measures that must be implemented in an effort to address the impact of the country's economic challenges and to promote growth, address unemployment and equality, amongst others. Therefore this policy is prepared taking into consideration the Municipal Cost Containment Regulations as issued by National Treasury.

2. APPLICATION OF POLICY

This policy shall apply to all employees and councilors of the municipality, except instances where the Municipal Manager or delegated official deems fit to deviate based on motivating reasons.

The municipality must refer to Annexure A & B in terms of MFMA Circular 82 (or updated relevant MFMA Circular issued) for cost containment measures to be implemented where possible. Tariffs will be aligned and updated according to the issuance of updated MFMA circulars. In addition, the following must be taken into consideration in the application of the policy:

2.1 Consultants

2.1.1 Consultants must be appointed on an output specified basis with clear plans indicating timelines and milestones.

2.1.2 The municipality must ensure that consultants work jointly with municipal staff to ensure transfer of skills. To ensure that this is achieved, the municipality must ensure that the consultants involve all key stakeholders throughout the project and ensure that aspects of the consultants' work are fully transparent and can be supported and justified.

2.2 Vehicles used for political office –bearers

(1) The threshold limit for vehicle purchases relating to official use by political office –bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined

in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.

(2) The procurement of vehicles in sub -regulation (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

(3) Before deciding to procure a vehicle as contemplated in sub -regulation (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
(a) status of current vehicles;
(b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in sub -regulation (1);
(c) extent of service delivery backlogs;
(d) terrain for effective usage of the vehicle; and
(e) any other policy of council.

(4) If the rental referred to in sub -regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

(5) Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

(6) Notwithstanding sub -regulation (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

(7) An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

2.3 Travel and subsistence

(1) An accounting officer –

(a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
(b) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.

(2) In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

(3) Notwithstanding sub -regulation (1) or (2), an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.

(4) The cost containment policy must limit international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

(5) An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only -
(a) during peak holiday periods; or

(b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.

(6) An official or a political office bearer of a municipality or municipal entity must -
(a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
(b) make use of available public transport or a shuttle service if the cost of such a service is lower than -
(i) the cost of hiring a vehicle;
(ii) the cost of kilometres claimable by the official or political office bearer; and
(iii) the cost of parking.
(c) not hire vehicles from a category higher than Group B or an equivalent class; and
(d) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

(7) A municipality or a municipal entity must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

2.4 Domestic accommodation

(1) An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.

(2) Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

2.5 Enforcement Procedures

Failure to implement or comply with these Regulations may result in any official of the municipality or municipal entity, political office bearer or director of the board that authorised or incurred any expenditure contrary to these regulations being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

3. RELATED POLICIES

This policy must be read in conjunction with any other related policies of the municipality.

4. REVIEW OF POLICY

This policy may be reviewed on an annual basis or when the need arises.

5. ADMINISTRATION OF POLICY

The Municipal Manager shall be responsible for the administration of this policy; provided that he or she may delegate any or all of his functions hereunder to any other manager or managers of the Municipality.

6. COMMENCEMENT

This policy shall come into force upon adoption by council.

Annexure A – Cost Containment Measures

Cabinet resolved, on 23 October 2013 that cost containment measures must be implemented to eliminate wasteful expenditure, reprioritize spending and ensure savings on the following focus areas among others; engagement of consultants, travel and subsistence costs, issuing of credit cards, accommodation costs, office furnishing costs, advertising or sponsorship costs, catering and events related costs.

It is prudent that Municipalities consider consultation with its employees and through public participation to obtain input and consideration from affected stakeholders such as communities, ratepayers, businesses, and so on which may prove to be beneficial when facilitating the implementation of cost containment policies and actions.

Municipalities are advised to ensure appropriate monitoring and reporting on such cost saving measures is instituted for ease of reporting to management and council on progress on a regular basis. The internal audit unit of municipalities must be copied with such reports.

1. Engagement of Consultants

- Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.
- Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.
- Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:
  - determined in the “Guidelines on fees for audits done on behalf of the Auditor-General South Africa”, issued by the South African Institute of Chartered Accountants (SAICA);
  - set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA); or
  - Prescribed by the body regulating the profession of the consultant.
- Ensure an exacting “specification” of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.
- Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, accounting officers must invoke such clauses, where deemed necessary.
- It is mandatory that accounting officers of municipalities and municipal entities conclude on the best “value for money”, i.e. matching fees against quality and against benchmarked practices.
- Accounting officers of municipalities and municipal entities must appoint consultants on a time and cost basis with specific start and end dates.
- Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government and the contract price specifies all travel & subsistence costs.

- If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:
  a) Hotel accommodation may not exceed the amount mentioned in this Circular;
  b) Only economy class air tickets may be purchased for flights;
  c) Only group B vehicles or lower may be hired for engagements, as mentioned in this Circular;
  d) Kilometres claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.
- Municipalities are urged to develop consultancy reduction plans.
- Undertake all engagements of consultants in accordance with the SCM Regulations and the municipality's SCM policy.

2. Travel and subsistence

The National Treasury, on behalf of all three spheres of government, has negotiated improved upfront discounts for flights as well as discounted accommodation rates. Therefore municipalities and municipal entities are requested to utilize these agreements to assist in their respective cost containment measures, unless they can negotiate lower air travel rates or utilize other service providers that offer lower rates.

Net and Non-Commissionable Rates
All rates offered to Government as of 1 April 2016 will be net and non-commissionable. This will include the informal accommodation market e.g. Guest Houses and Bed & Breakfast establishments.

Rebates, Overrides, Volume based income
In the spirit of transparency, the OCPO is taking a firm position on rebates, overrides or any volume driven target incentives being paid by suppliers to Travel Management Company (TMC). As of 1 April 2016 these payments and the practice of overrides is to discontinue for Government business.

2.1 National Travel Policy

The National Treasury will issue a National Travel Policy framework during December 2016.

(http://ocpo.treasury.gov.za/Buyers_Area/Legislation/Pages/default.aspx)

2.2 Air Travel

- The National Treasury has negotiated with South African Airways (SAA) and Comair/British Airways (BA) for upfront discounted air fares for government employees travelling domestically for official purpose. These Domestic Air Travel Fares will be regularly reviewed by the National Treasury (These rates are not applicable for International Air Travel).
- For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business

Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.

- For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.
- Treasury entered into a short-term Corporate Agreement from 1 April 2016 to 30 September 2016. This has been extended by a further six months. .
- The premise of “Best Fare on the Day” should be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Municipalities must also request quotations from other Low Cost Carriers. Please note that all discounted rates are subject to class availability.
- In order to make full use of the corporate discount with SAA and BA, municipalities and municipal entities must instruct their appointed TMCs or persons making their bookings for domestic airline tickets, to book against the relevant deal codes as detailed in Annexure B.
- Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agents name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.
- Accounting officers of municipalities and municipal entities are advised to include a clause in their respective documents that travel agencies are only permitted to make booking arrangements on behalf of municipalities and municipal entities in line with this Circular. Current arrangements need to be updated and amended to reflect these changes.
- Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

2.3 Domestic Hotel Accommodation

National Treasury has established maximum allowable rates for domestic accommodation. When sourcing accommodation for officials, municipalities should find options that are equal to or lower than the rates in Table 1, depending on the allowable star grading and the band. Competition and cost effectiveness must remain a key principle.

Table 1: Rates set for Domestic Hotel Accommodation

Voucher Includes	BAND 1	BAND 2	BAND 3
→	Room Only Tourism Levy VAT	Bed & Breakfast Tourism Levy VAT	Dinner, Bed and Breakfast Tourism Levy VAT 2 x soft Drinks at Dinner
Graded Hotel, Boutique Hotel, Lodge or Resort			
	BAND 1	**BAND 2**	**BAND 3**
1 Star	R 580	R 710	R 855
2 Star	R 900	R 1 030	R 1 230
3 Star	R 1 100	R 1 200	R 1 400
4 Star	R 1 250	R 1 350	R 1 550
5 Star	R 2 100	R 2 200	R 2 500
Bed & Breakfast, Country House or Guest house			
	BAND 1	**BAND 2**	**BAND 3**
1 Star	R 300	R 450	R 630
2 Star	R 500	R 650	R 830
3 Star	R 900	R 1 050	R 1 230
4 Star	R 1 000	R 1 150	R 1 330
5 Star	R 1 200	R 1 350	R 1 530
Self-Catering*			
	BAND 1	**BAND 2**	**BAND 3**
1 Star	R 580		
2 Star	R 900		
3 Star	R 1 100		
4 Star	R 1 250		
5 Star	R 1 450		
Meals**			
	BAND 1	**BAND 2**	**BAND 3**
Breakfast	R 120	R -	R -
Lunch	R 150	R 150	R 150
Dinner	R 150	R 150	R -
Total	**R 420**	**R 300**	**R 150**

Accommodation costs are assumed to be inclusive of Parking and Wi-Fi (if available), and exclusive of Laundry expenses.
**Including Exclusive and Shared Facilities. Exclusive facilities offer travellers a sole occupancy unit consisting of one or more bedrooms and self-contained public areas e.g. kitchen, dining area and lounge.*
Shared Facilities consisting of one or more bedrooms and self-contained shared public areas e.g. kitchen, dining area and lounge.
***Maximum amounts that can be claimed for meals. The claim for the actual amounts must be supported by a receipt.*

- If a negotiated rate for a specific star grading is equivalent to or lower than the rate for the lower star grading, the official may be accommodated in the establishment with the higher star grading. This means that an official may be accommodated at a four star establishment if the rate at the four star establishment is the same as or lower than a three star establishment.

- Where there is an alternative star grading indicated in **Table 1** (i.e. 4/5 or 3/4), the maximum allowable rate of the lower star grading will be the benchmark. The higher star grading can only be booked if:
  a. the higher star graded facility is the only available option due to location and availability; or
  b. the municipality or municipal entity has negotiated lower rates with the higher star graded facility.
- Accounting officers must ensure that overnight accommodation is limited to instances where the distance travelled by road by the employee exceeds 500 kilometres to and from the destination (return journey).

2.4 Vehicle Hire

- Municipalities are encouraged to continue considering their own fleet first, where viable, prior to hiring of vehicles;
- Notwithstanding the provisions above, all employees must make use of shuttle services if the cost of such a service is below the cost of hiring a vehicle.
- Accounting officers must also consider making use of shuttle services if the cost of kilometres claimable by the employee and the cost of parking are higher than the shuttle services.
- Ensure the hiring of vehicles from a category below Group B or an equivalent class. Accounting officers may permit employees to accept up-graded group of hired vehicles if such an up-grade is offered for free or at a lower charge than Group B.
- Vehicle travel claims by employees of municipalities and municipal entities must be restricted to the actual distance travelled in excess of the normal distance from the employee’s residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme.

3 Credit Cards

The use of credit and debit cards was addressed in an earlier MFMA Circular.

A bank, or any other institution, may not issue credit cards or debit cards linked to a bank account of a municipality or a municipal entity to any councillors, entity board members, municipal or entity officials or any other person. The issuing and use of such cards be it for official purposes:

- contravenes section 11 and 85 of the MFMA as there is no way of ensuring that all purchases made on the card are in accordance with the items listed in the sections or as prescribed;
- contravenes section 167 of the MFMA which provides that any bursary, loan, advance or other benefit paid to a municipal councillor otherwise than in accordance with the provisions of the Remuneration of Public Office Bearers Act constitutes irregular expenditure;
- contravening section 15 of the MFMA by incurring expenditure not authorised in an approved budget;
- non-compliance with section 164 of the MFMA which provides that no municipality or municipal entity may make loans to councillors or officials of the municipality, directors or officials of the entity or members of the public;
- non-compliance with the supply chain management regulations; and

- undermines efforts to safeguard municipal funds, combat fraud and corruption, as well as other irregular practices.

While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilised in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

Where officials or councillors incur expenses in relation to official municipal activities, they should use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the relevant municipal policy and processes. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.

4 Catering costs

- Do not incur catering expenses for any meetings where only municipal officials are in attendance. Notwithstanding the above, the accounting officer may incur catering expenses for the following, provided that such lasts for five (5) continuous hours or more:
  a) The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings;
  b) Meetings related to commissions or committees of inquiry; or
  c) Meetings hosted by municipal councils and the board of directors of municipal entities, including governance committee meetings.
- Ensure that entertainment allowances of qualifying officials do not exceed two thousand rand (R2 000) per person per financial year. The National Treasury may periodically review this amount.
- Do not incur expenses on alcoholic beverages.
- Ensure that team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.
- Notwithstanding the above, accounting officers may incur no more than the petty cash allocation or limitations on expenditure from their respective budgets to host farewell functions to employees who are either:
  (a) proceeding on retirement due to ill health; or
  (b) proceeding on retirement after reaching the qualifying age limit of a minimum of ten (10) or more years working for the public service.
- Accounting officers and accounting authorities may **not** host farewell functions for employees who have:
  (a) been dismissed;
  (b) elected to resign or leave by accepting severance packages; or
  (c) Approached the end of their contractual term.

5 Events, advertising and sponsorships

- Eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.

- Memorabilia, gifts and other novelties should be of token value only and should only be offered by municipalities and municipal entities in order to acknowledge support or a visit or attendance by a dignitary in connection with a benefit to the local community; to reciprocate the giving of a similar token gift by another organisation; or similar but in all cases there must be an identifiable benefit to the community.
- Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.

6 Conferences, meetings, study tours, etc.

- Employees of municipalities and municipal entities may attend conferences hosted by professional bodies or non-governmental institutions (external conferences) held within the borders of South Africa provided that expenses related to their attendance do not exceed two thousand five hundred rand (R2 500) per person per day. In instances where the cost exceeds this amount, officials must obtain prior approval from the accounting officer. The number of municipal officials attending such conferences and workshops must be limited, see below. The National Treasury may periodically review this amount.
- Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable.
- Conferences abroad must be limited to its ultimate minimum or none at all.
- Utilise municipal and/or provincial office facilities for conferences, meetings, strategic planning sessions etc. where an appropriate venue exists within the municipal jurisdiction.
- Limit or stop overseas trips and the delegations going on such trips unless a tangible and clear benefit to the local community and performance of essential service provision can be established beforehand.
- The number of employees travelling to conferences or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.
- Similar to the above, the number of employees travelling by air to other centres to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

7 Office furnishing

- Municipalities should exercise due precaution in refurbishing offices, purchasing equipment, etc. especially when new persons are elected or appointed. Use of existing facilities and equipment is encouraged.
- Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.

8 Staff study, perks and suspension costs

- Training attended by employees and councillors of municipalities and municipal entities may only be attended at pre-approved service providers to ensure sufficient quality of training and obtain value for money.
- Expenditure associated with overseas study tours by councillors or officials must be reduced and preferably stopped.
- Encourage staff to take time off to make up for overtime worked.
- Planned overtime must be submitted to management for consideration on a monthly basis.
- Unplanned overtime worked must be motivated and approved by management.
- Costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.
- Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

9 Cost containment on other related expenditure items

- Accounting officers of municipalities and municipal entities are advised to ensure that all commodities and products that the National Treasury designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.
- Periodic or quarterly threat assessments against councillors and key officials should be undertaken by the appropriate authority (SAPS) and reported to the Speakers Office. Approval for security measures must be informed by such reports, if paid for from municipal funds. The use of metropolitan traffic officers for such purposes should be avoided.
- Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies.
- Printing of documents should carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.
- Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount.
- Every effort must be made to recover debt from consumers before write-off. Municipalities to avoid the excessive usage of debt collectors and improve its internal capacity for debt collection.
- Ensure synergy between municipal divisions or departments to avoid duplication of processes and efforts.
- Where possible the warranties on vehicle and computer equipment should be extended instead of procuring new ones.
- Labour saving devices should be shared to optimize the capacity utilization of each device.
- Purchasing of newspapers and other publications for municipal employees to limited and stopped.
- Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.

- All other cost containment measures introduced by council are also encouraged and supported.

Annexure B: BA/COMAIR and SAA Deal Codes per Municipality

Municipalities and municipal entities should use the following codes when requesting quotes from BA/COMAIR.

MUNICIPALITIES	
NAME	**DEAL CODE**
EASTERN CAPE	
Alfred Nzo District Municipality Matatiele, Mbizana, Ntabankulu and uMzimvubu	1020907
Amathole District Municipality Amahlathi, Mnquma, Ngqushwa, Raymond Mhlaba, Mbashe and Great Kei,	1020906
Buffalo City Metropolitan Municipality	1020901
Chris Hani District Municipality Emalahleni, Engcobo, Intsika, Inxuba, Sakhisizwe and Enoch Mgijima	1020908
Joe Gqabi District Municipality Elundini, Walter Sisulu and Senqu	1020909
Nelson Mandela Bay Metropolitan Municipality	1020899
OR Tambo District Municipality Ingquza Hill, King Sabata Dalindyebo, Mhlontlo, Nyandeni and Port St Johns	1020903
Sarah Baartman District Municipality Dr Beyers Naudé, Blue Crane Route, Makana, Ndlambe, Sundays River Valley, Kouga and Kou-kamma	1020921
FREE STATE	
Fezile Dabi District Municipality Mafube, Moqhaka, Metsimaholo and Ngwathe	1020922
Lejweleputswa Distric Municipality Masilonyana, Matjhabeng, Nala, Tokologo and Tswelopele	1020923
Mangaung Metropolitan	1020923
Thabo Mafutsanyana District Dihlabeng, Maluti - a- Phofung, Mantsopa, Nketoana, Phumelela and Setsoto	1020924
Xhariep District Kopanong, Letsemeng and Mohokare	1020925
GAUTENG	
City of Johannesburg Metropolitan	1020900
City of Tshwane Metropolitan	1020898
Ekurhuleni Metropolitan	1020904
Sedibeng District Emfuleni, Lesedi and Midvaal	1020926
West Rand District Merafong, Mogale City, Rand West	1020927
KWAZULU-NATAL	
eThekwini Metropolitan	1008810
iLembe District Municipality KwaDukuza, Mandeni, Maphumulo and Ndwedwe	1020929
Harry Gwala District Municipality Greater Kokstad, Uhlebezwe, Umzimkhulu and Dr Nkosazana Dlamini Zuma	1020835

MUNICIPALITIES	
NAME	**DEAL CODE**
Ugu District Municipality uMdoni, Umzumbe, uMuziwabantu and Ray Nkonyeni	1020836
uMgungundlovu District Municipality KZN uMshwathi, uMngeni, Mpofana, Impendle, Msunduzi, Mkhambathini and Richmond	1020837
uMkhanyakude District Municipality KZN Umhlabuyalingana, Jozini, Mtubatuba and Big Five Hlabisa	1020838
uMzinyathi District Municipality KZN Endumeni, Nquthu, Msinga, Umvoti	1020839
uThukela District Municipality Okhahlamba, iNkosi Langalibalele and Alfred Duma	1020840
King Cetshwayo district Municipality uMfolozi, uMhlathuze, uMlalazi, Mthonjaneni and Nkandla	1020841
Zululand District Municipality KZN eDumbe, uPhongolo, Abaqulusi, Nongoma and Ulundi	1020842
LIMPOPO	
Capricon District Municipality Blouberg, Lepelle-Nkumpi, Molemole and Polokwane	1020843
Mopani District Municipality Ba-Phalaborwa, Greater Giyani, Greater Letaba, Greater Tzaneen and Maruleng	1020844
Sekhukhune District Municipality LM Ephraim Mogale, Elias Motsoaledi, Makhuduthamaga and LIM476	1020845
Vhembe District Municipality LM Musina, Thulamela, Makhado and LIM345	1020846
Waterberg Disrict Municipality Thabazimbi, Lephalale, Bela Bela, Mogalakwena and LIM 368	1020847
MPUMALANGA	
Ehlanzeni District Municipality Thaba Chweu, Nkomazi, Bushbuckridge and City of Mbombela	1020902
Gert Sibande District Albert Luthuli, Dipaleseng, Govan Mbeki, Lekwa, Mkhondo, Msukaligwa and Pixley Ka Isaka Seme	1020848
Nkangala District Dr JS Moroka, Emakhazeni, Emalahleni, Steve Tshwete, Thembisile Hani and Victor Khanye	1020849
NORTH WEST	
Bojanala Platinum District Kgetlengriver, Madibeng, Moretele, Moses Kotane and Rusternburg	1020850
Dr Kenneth Kaunda District Municipality City of Matlosana, Maquassi and NW405	1020851
Dr Ruth Segomotsi Mompati District Municipality Greater Taung, Kagisano-Molopo, Lekwa-Teemane, Mamusa and Naledi	1020852
Ngaka Modiri Molema District Municipality Ditsobotla, Mahikeng, Ramotshere, Ratlou and Tswaing	1020853
NORTHERN CAPE	
John Taolo Gaetsewe Ga-Segonyana, Joe Morolong and Gamagara	1020909
Namakwa	1020856

MUNICIPALITIES	
NAME	**DEAL CODE**
Hantam, Kamiesberg, Karoo Hoogland, Khai-Ma, Nama Khoi and Richtersveld	
Pixley Ka Seme Emthanjeni, Kareeberg, Renosterberg, Siyancuma, Siyathemba, Thembelihle, Ubuntu and Umsobomvu	1020857
ZF Mgcawu !Kai! Garib, !Kheis, Tsantsabane, Kgatelopele and Dawid Kruiper	1020858
WESTERN CAPE	
Cape Winelands District Municipality Witzenberg, Drakenstein, Stellenbosch, Breede Valley and Langeberg	1020859
Central Karoo District Municipality Beaufort West, Laingsburg and Prince Albert	1020859
City of Cape Town Metro	1008771
Eden District Municipality Bitou, George, Hessequa, Kannaland, Kynsna, Mossel Bay and Oudtshoorn	1020861
Overberg District Municipality Cape Agulhas, Overstrand, Swellendam and Theewaterskloof	1020862
West Coast District Municipality Bergrivier, Cederberg, Matzikama, Swartland and Saldanha Bay	1020863

Municipalities and municipal entities not listed above should use the following details to contact BA/Comair to obtain a deal code:

Contact Details
Nangamso Letlape: National Account Manager: Government
Nan.letlape@comair.co.za

Municipalities and municipal entities should use the following deal code when requesting quotations from SAA: CK3828. In order to arrange access to the deal codes, travel management companies servicing municipalities and municipal entities should contact the following SAA representatives:

Contact Details
Eastern Cape: Tracy Mentzel (tracymentzel@flysaa.com)
Western Cape: Enid Sinequan (enidsinequan@flysaa.com)
KwaZulu-Natal: Kriba Govender (kribagovender@flysaa.com)
All other provinces: Mark Steele (marksteele@flysaa.com)

("THE MUNICIPALITY")

POLICY ON LONG-TERM FINANCIAL PLANNING

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1. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning.

"Accounting Officer" it means Municipal Manager of Umzumbe Local Municipality or his/ her delegate.

"GRAP" means the Generally Recognised Accounting Standards.

"IDP" it's a shortened name for Integrated Development Plan.

"MFMA" it's a shortened name for Municipal Finance Management Act, Act 56 of 2003.

"Municipality" for the purpose of this policy it means Umzumbe Local Municipality.

2. INTRODUCTION

2.1 Financial Management is the cornerstone of any organisation. Controls and policies must be in place to achieve sound financial management. Over the first year of the 5-year plan, financial regulations and policies must be reviewed to ensure all legal, internal control and social requirements are met. Implementing the projects included in the 5-year plan will require large capital investment, which in turn requires effective management and control.

2.2 Umzumbe Municipality has to recognise that to be successful the IDP must be linked to workable financial plans which include a multiyear budget.

2.3 A long-term financial planning is prepared for a period of at least three years, however it is preferred that it should be for over a period of five or more years.

2.4 The long-term financial planning will also ensure that the Municipality has greater financial health and sustainability, making it easier to collaborate on projects with other levels of Government and various public and private stakeholders. This will further enhance the ability of the Municipality to have access to more financing, funding and grants.

3. PURPOSE

3.1 The purpose of this policy is to outline the comprehensive long-term financial planning that will ensure long-term financial sustainability for the Municipality.

3.2 A long-term financial planning is essential to ensure that the Municipality continues to implement its mandate effectively without impairing its capital base. It will also enable the Municipality to move towards self-sufficiency in meeting the growing demands of Service Delivery and infrastructure requirements.

3.3 A long-term financial planning its important by identification and prioritization of expected needs based on the Municipality's Five-Year Integrated

Development Plan and details estimated amounts of funding various sources.

4. FINANCIAL STRATEGY FRAMEWORK

The priority for the Municipality, from the financial perspective is to ensure viability and sustainability of the Municipality. The long-term financial planning and related strategies will therefore need to address a number of key areas in order to achieve this priority. These strategies are detailed below:

4.1 **Revenue enhancement strategy:**

a) To seek alternative sources of funding.

b) Expand Income base through implementation of new Valuation Roll.

c) The ability of the Community to pay for services.

d) Identification and pursuance of Government Grants.

e) Tightening Credit Control measures and Debt Collection Targets.

f) Improve customer relations and promote a culture of payment.

g) Realistic Revenue estimates.

h) The impact of inflation, the Municipal cost index and other cost increases;

i) The creation of an environment which enhances growth, development and service delivery.

4.2 **Asset Management Strategy:**

a) The implementation of a GRAP compliant Asset Management System.

b) Adequate Budget provision for Asset Maintenance over their economic lifespan.

c) Maintenance of asset according to an Infrastructural Asset Management Plan.

d) Maintain a system of internal control of assets to safeguard assets.

e) Ensure all assets owned and control except specific exclusions are covered by insurance.

4.3 Financial Management Strategies:

a) To maintain an effective system of Expenditure control including procedures for the approval, authorization, withdrawal and payment of funds.

b) Preparation of the Risk Register and application of Risk Control.

c) Implement controls, procedures, policies and by-law to regulate fair, just and transparent transaction.

d) Training and development of Senior Financial staff to comply with prescribed minimum competency level.

e) Implement GRAP standards as gazette by National Treasury.

f) Prepare annual financial statement timeously and review performance and achievements for past financial years.

4.4 Operational Financing strategies:

a) Effective cash flow management to ensure continuous, sufficient and sustainable cash position.

b) Enhance budgetary controls and financial reporting.

c) Direct available financial resources towards meeting the projects as identified in the IDP.

d) To improve Supply Chain Management processes in line with regulations.

4.5 Capital Funding Strategies:

a) Ensure service delivery needs are in line with Long-term Financial Planning.

b) Careful consideration / prioritisation on utilising resources in line with the IDP.

c) Analyse feasibility and impact on operating budget before capital projects are approved.

d) Determine affordable limits for borrowing.

e) Source external funding in accordance with affordability.

f) Improve capital budget spending.

g) Maximizing of infrastructural development through the utilisation of all available resource.

4.6 Cost effective Strategy:

a) Invest surplus cash not immediately required at the best available rates.

b) Restrict capital and operating expenditure increase in relation to the inflation rate talking into consideration the macro growth limit guideline and Municipal cost increase.

c) To remain as far as possible within the following selected key budget assumptions:

   i. Provision of bad debts of at least 2%.

   ii. Overall cost escalation to be linked to the average inflation rates.

   iii. Tariff increase to be in line with inflation plus Municipal growth except when regulated.

   iv. Utilisation of Equitable Share for indigent support through Free Basic Services.

   v. Maintenance of assets of at least 6% of total operating expenditure.

   vi. Capital cost to be in line with the acceptable norm of 18%

4.7 Measurable Performance Objective for revenue:

a) To maintain the Debtors to revenue ratio below 10%.

b) To maintain a Debtors payment rate of above 90%.

c) To ensure that the Debtors return remain under 40 days.

d) To keep the Capital cost on the Operating Budget less than 18%.

5. FINANCIAL MANAGEMENT POLICIES

The purposes of Financial Policies are to provide a sound environment to manage the financial affairs of the Municipality. The following are key budget related policies:

5.1 Tariffs Policy

Tariffs Policy prescribes the procedures for calculating tariffs charged to the consumers. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000.

5.2 Rates Policy

Rates Policy required by the Municipal Property Rates Act, Act 6 of 2004. This Policy provides the framework for the determination of property rates.

5.3 Indigent Support Policy

This policy is to ensure that the Municipality is providing and regulate access to free basic to all registered indigents.

5.4 Budget Policy

Budget Policy set out the principles which must be followed in preparing Medium Term Revenue and Expenditure Framework Budget. It further ensures that the Budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

5.5 Asset Management Policy.

The objective of Asset Management Policy is to prescribe the accounting and administrative procedures relating to the property, plant and equipment.

5.6 Accounting Policy

The Accounting policy describes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognised Accounting Practices (GRAP) and Accounting Standards.

5.7 Supply Chain Management Policy

SCM Policy is developed in terms of Section 111 of the MFMA Act 56 of 2003. The principles of this Policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of Municipal Services.

5.8 Subsistence and Travel Policy

The S&T Policy regulates the reimbursement of travelling and subsistence costs to officials and Councilors attending official business.

5.9 Credit Control and Debt Collection Policy.

This Policy provides for Credit and Debt Collection Procedures and mechanisms to ensure that all consumers pay for the services that are supplied by the Municipality.

5.10 Cash Management, Banking and Investment Policy.

This Policy must be established in terms of section 13 of MFMA act 56 of 2003 and Municipal Investment Regulation R308 to ensures that cash resources are managed in the most efficient and effective manner possible.

6. REVENUE

6.1 In order for the Municipality to serve the Community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality.

6.2 The Municipality must table a balanced and more credible Budget, based on realistic estimation of revenue that is consistent with the budgetary resources and collection experience.

6.3 The Municipality derives its revenue from the provision of services such as electricity, cleansing and solid waste. A considerable portion of the Revenue is also derived from property rates and grants by National Governments as well as other minor charges such as traffic fines

7. GENERAL PROVISIONS

7.1 Commencement:

This Policy will come into effect on the date of adoption by the Council of the Umzumbe Local Municipality.

7.2 Interpretation of this policy:

i. All words contained in this policy shall have the ordinary meaning attached thereto, unless the definition or context indicates otherwise.

ii. The dispute on interpretation of this policy shall be declared in writing by any party concerned.

iii. Municipal Manager shall give a final interpretation of this policy in case of written dispute.

7.3 Permanent/temporary waiver or suspension of this policy:

i. This policy may be partly or wholly waived or suspended by Umzumbe Local Municipality on temporary or permanent basis.

7.4 Compliance and enforcement:

i. Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken by Umzumbe Local Municipality.

ii. It will be the responsibility of the Accounting Officer or his/her delegated official to enforce compliance with this policy.

7.5 Amendment and /or abolition of this policy:

This policy maybe amended or repealed by Umzumbe Local Municipality as it may deem necessary to do so.

8. POLICY ADOPTION

This policy has been considered and approved by the **COUNCIL OF UMZUMBE LOCAL MUNICIPALITY** as follows:

Board Resolution No:………………………….

Approval Date:...

BUILDING A BETTER FUTURE

Umzumbe

MUNICIPALITY

BORROWING POLICY

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1. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning.

Accounting Officer means the municipal manager of a municipality for the purposes of this policy in relation to a municipality, and includes a person acting as the accounting officer;

Act means the Local government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);

Chief Financial Officer or his delegate means an officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the Municipality;

Council means the Municipal Council as referred to in Section 18 of the Municipal Structures Act;

Creditor means in relation to a Municipality, means any person or service provider to whom money is owing by the Municipality;

Debt means a monetary liability of obligation created by a financing agreement, note, debenture, bond, overdraft or the issuance of municipal securities;

A contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

Delegate means an official/person delegated to perform tasks on behalf of another person;

Financial Statement means statements consisting of at least:

- A balance sheet (statement of financial position)
- An income statement (statement of financial performance)
- A cash-flow statement
- Any other statements that may be prescribed
- Any notes to these statements;

Financial Year means a year ending 30 June;

Financing Agreement means any long-term agreement, lease, installment purchase contract or hire purchase agreement under which the Municipality undertakes to pay the capital cost of property, plant or equipment over a period of time;

Lender In relation to a Municipality means a person or service provider who provides debt finance to a Municipality;

Long Term Debt means debt, which is repayable over a period exceeding 12 months;

Municipal Debt Instrument means any note, bond, debenture or other evidence of indebtedness issued by a Municipality, including virtual or electronic evidence of indebtedness intended to be used in raising debt;

Security means a lien, pledge, mortgage, cession or other form of collateral intended to secure the interest of a creditor;

Short Term Debt means a debt, which is repayable over a period not exceeding 12 months;

The Municipality means Umzumbe Local Municipality.

2. PURPOSE

a) To establish a borrowing framework policy for the Municipality

b) To set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds.

3. OBJECTIVES

a) Manage interest rate and credit risk exposure.

b) Maintain debt within specified limits and ensure adequate provision for the repayment of debt.

c) To ensure compliance with all Legislation and Council policy governing borrowing of funds.

4. SCOPE OF THE POLICY

This policy governs the taking up of new loans, as well as the maintenance and redemption of existing loans. It specifically applies to:

a) Conditions under which Municipal debt maybe incurred.
b) Compliance with applicable legislations
c) Long term and short term debts
d) Security.
e) Approvals.
f) Internal Controls.
g) Reporting and Monitoring Procedures.

5. PRINCIPLES FOR BORROWING

The primary goal in the borrowing of funds is to ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorised borrowings.

a) **Risk Management**

The need to manage interest rate risk, credit risk exposure and to maintain debt within specified limits is the foremost objective of the borrowing policy. To attain this objective, diversification is required to ensure that the Chief Financial Officer prudently manages interest rate and credit risk exposure.

b) **Cost of Borrowings**

The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by Legislation.

c) Prudence

Borrowings shall be made with care, skill, prudence and diligence. The standard of prudence to be used shall be the “prudent person” standard and shall be applied in the context of managing overall debt.

Officials are required to adhere to:

(i) written procedures and these guidelines

(ii) exercise due diligence

(iii) prepare all reports timeously

(iv) ensure strict compliance with all Legislation and Council policy

d) Ownership

All loans must be in the name of the Municipality

6. CONDITIONS UNDER WHICH MUNICIPAL DEBT MAY BE INCURRED

6.1 Statutory Conditions

6.1.1 The Municipality may incur debt, provided that:

a) The debt is denominated in Rand and is not indexed to, or affected by fluctuations in the value of the Rand to other currencies (Section 47 (a) of the Act).
b) The debt is approved by resolution of Council, signed by the Executive Mayor, and the Accounting officer has signed the agreement or other document, which creates or acknowledges the debt (Section 46 (2) of the Act).
c) The Accounting Officer has, at least 21 days prior to the meeting of the Council at which the resolution is to be considered, published a notice in a newspaper of general circulation.
    i) Stating particulars of the draft resolution, including the amount of the loan, the purpose of the loan to be incurred and the particulars of any security to be provided (Section 46(3)(a)(i) of the Act).
    ii) Inviting the public to submit written representations to the Council in respect of the draft resolution (section 46(3)(a)(ii) of the Act.
d) The Accounting Officer has, prior to the adoption of the resolution, submitted an information statement to the Council setting out the purpose for which the debt is to be incurred, the anticipated total cost of credit over the repayment period, the essential repayment terms and particulars of any securities to be provided (Section 46(3)(b) of the Act).
e) The relevant resolution was adopted at a meeting of the Council, which was open to the Public.
f) Where Security is to be provided, the provisions of Section 11 below has been compiled with (Section 47(b) of the Act.

6.1.2 **Long term debt**

6.1.3 The Municipality may incur long-term debt for purposes of financing its long-term strategic objectives, as outlined in the Constitution of the Republic of South Africa, Act No 108 of 1996, and Chapter 7 on Local Government, to:

a) Provide democratic and accountable government for local communities.
b) Ensure the provision of services to communities in a sustainable manner.
c) Promote social and economic development.

d) Promote a safe and healthy environment
e) Encourage the involvement of communities and community organizations in the matters of local government

6.1.4 **Short term debt**

a) Section 45 of The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.
b) The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt.
c) The Municipality may, in terms of the Municipal Finance Management Act, incur short term debt only if the Chief Financial Officer has made a prior written finding that the debt is either within prudential limits on short term debt as previously approved by the Municipality, or is necessary due to an emergency that could not reasonably have been foreseen and cannot await Council approval.
d) The Municipality is in the fortunate position that due to its prudent and sound financial position and surplus funds it is not necessary to raise any short term loans.

7. LEGISLATIVE FRAMEWORK & DELEGATION OF AUTHORITY

The relevant Legislation and regulations in terms of which borrowing decisions are governed is Local Government Municipal Finance Management Act, No 56 of 2003.

8. TYPES OF LOANS

7.1 "Vanilla" loans

"Vanilla" loans are straightforward and uncomplicated. The loan amount, interest rate and repayment period offered by the Financial Institution are fixed. The calculation of the instalment payable on an annuity basis is simple and straightforward. Normally with a "vanilla" loan, the instalment of the loan will be repaid in equal six monthly instalments over the term of the loan. The capital portion of the instalment will increase over the duration of the loan, and conversely, the interest charged will decrease over the loan period. Where the interest rate offered by the Financial Institution is on a variable basis, an interest rate swap (IRS) must be taken out. An IRS agreement will need to be signed with the party agreeing to accept the variable rate and offer the fixed rate to the Municipality. An IRS agreement must comply with the terms set out by the International Swap Dealers Association (ISDA).

The fixing of debt repayments is an important consideration in meeting the legal requirement of the Municipality, that of annually producing a balanced budget. Debt servicing comprises some 2.87% of the annual operating budget hence the need for certainty of annual debt payments.

7.2 Structured Finance Loans

In its simplest form, a structured finance loan is one where the Lender, who is a taxpayer, uses certain tax ”claims” and effectively passes a portion of this benefit onto the Municipality by way of a reduced interest rate.

The advantage of this type of financing is that the benefits are utilised, giving the borrower a lower interest rate on the loan. The disadvantage is that any amendments in South African tax laws or the underlying assumptions in the financial model determining the structure of the loan will result in changes in the overall interest rate.

It must be appreciated that before entering into any structured finance contract the Municipality, being a Statutory body, will carefully scrutinise all aspects of the structured finance loan agreement including seeking legal advice both from the Head: Legal and, where necessary, from Senior Legal Counsel to ensure that the Municipality is not participating in a structure which the South African Revenue Service may deem to be one which leads to tax evasion. The Municipality will always adopt a prudent and carefully evaluated approach before entering into structured finance loan agreements.

7.3 Bonds

A Bond is an instrument used by Government and Parastatals such as Telkom, Eskom, Transnet, Corporate and Municipalities to raise loan capital on the open market. Bond holders have the right to interest, usually paid on a semi annual basis, and the repayment of the capital amount reflected on the stock certificate held on maturity date. The coupon, maturity, principal value and market value are intrinsic features of a Bond.

The most critical variable factor in determining Bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium. The higher the risk attached to a borrower, the higher will be the risk premium investors will demand.

During its tenure the Bond will trade on the Bond market at prevailing interest levels. The price of a Bond trading at any given time on the market is a function of prevailing interest rates. Bond prices move inversely to movements in interest rates.

a) Advantages of a Municipal Bond issue are:

(i) A Municipal Bond issue may match the life of the asset being financed. This allows for pay-as-you-use, whereby the ratepayer pays for the use of the asset over the life of the asset.

(ii) A Municipal Bond issue can take advantage of conditions in the interest rate market. The best example being when short-term rates are higher than long term rates – an inverted yield curve. If all preparations have been taken to enter the market quickly, then a Bond issue with a medium to long term duration could take advantage of short term volatility in the market.

(iii) If a Municipality establishes a position in the market, it can realize certain benefits. It gives the Issuer a benchmark for further issues. If there are several large maturities that are listed / quoted, it may be possible that a small add-on issue could be put into the market at a lower cost than a new issue.

(iv) A Municipal Bond issue is an alternative to Bank loans or structured loans. Also, because of the involvement of such parties as Financial Advisors and Underwriters, there should be better understanding and knowledge about interest rates and investor capacity for lending.

b) Disadvantages of a Municipal Bond issue are:

(i) The regulatory requirements which must be complied with prior to an issue will take more time to accomplish than the concluding of a Bank loan.

(ii) The cost of an issue will be more expensive than a Bank loan.

(iii) There will be more parties to a Bond issue and therefore organizing and implementing such an issue will require greater administration.

(iv) Because of the public offer nature of a Bond issue, there will be a greater need for continuing information disclosure, and the accuracy of this information will be important in order not to mislead the Investors.

(v) There will be a number of Investors rather than one Lender, payment of interest and principal will need to be made to many Lenders, requiring greater administration.

The Municipality has not issued any Bonds

9. OTHER CONSIDERATIONS

8.1 The Municipality has by the judicious use of surplus funds and external long term debt implemented its Integrated Development Plan which has facilitated the much needed service delivery program.

a) Factors to be considered when borrowing :

(i) the type and extent of benefits to be obtained from the borrowing

(ii) the length of time the benefits will be received

(iii) the beneficiaries of the acquisition or development

(iv) the impact of interest and redemption payments on both current and forecasted property tax income

(v) the current and future capacity of the property tax base to pay for borrowings and the rate of growth of the property tax base

(vi) likely movements in interest rates for variable rate borrowings

(vii) other current and projected sources of funds

(viii) competing demands for funds

(ix) timing of money market interest rate movements and the long term rates on the interest rate curve

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

8.3 The Municipality may only borrow funds, in terms of the Municipal Finance Management Act, for the purpose of acquiring assets, improving facilities or infrastructure to provide service delivery.

8.4 The Municipality's external borrowings have been mainly sourced from the following Institutions **:**

a) South African Registered Banks

b) Development Bank of Southern Africa Limited

c) Infrastructure Finance Corporation Limited

However, unless in terms of special arrangements vetted by Treasury, all procurement of Borrowing shall be in terms of Councils approved Supply Chan Management Policy.

8.5 The Municipality may incur long term debt only for the purpose of Capital expenditure on infrastructure, property, plant or equipment to be used for the purpose of achieving the objects of Local Government as set out in section 152 of the Constitution.

10. REFINANCING DEBT

9.1 Section 46 of the Municipal Finance Management Act provides that the Municipality may refinance existing long term debt, if such refinancing is in accordance with the prescribed framework. The Municipality may borrow money for the purpose of refinancing existing long term debt, provided the existing long term debt was lawfully incurred and the refinancing will not extend the term of the debt beyond the useful life of the infrastructure, property, plant or equipment for which the money was originally borrowed. Cognisance must be taken of any early repayment penalty clauses in the initial loan agreement, as part of the financial feasibility assessment.

9.2 No loans will be prematurely redeemed unless there is a financial benefit to the Municipality.

11. DEBT REPAYMENT PERIOD

10.1 Whilst the period for which loan debt may be received will vary from time to time according to the needs of the various lenders, presently the typical debt repayment period for loans is between ten to twenty years, closely matching the underlying asset lives serviced by the loans.

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

12. SECURITY

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

13. OVERDRAFT

12.1 The Municipality has a bank overdraft facility in terms of Section 45 of Municipal Finance Management Act. This facility may only be accessed with the explicit permission of the Chief Financial Officer.

14. DISCLOSURE

14.1 Any official involved in the securing of loans by the Municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor disclose all relevant information that may be requested or that may be material to the decision of the prospective lender or investor. Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

15. GUARANTEES

15.1 Section 51 of the Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity unless the entity is a Municipal entity under its sole ownership control. The debt must be reflected in the approved business plan of the entity. The guarantee must be authorised by the Municipality. This must be done in the same manner and subject to the same conditions applicable to any other borrowings.

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

16. APPROVAL OF LOANS BY THE MUNICIPALITY

16.1 Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the Mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt. At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, the Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided. The Public, the National Treasury and Provincial Treasury must be invited to submit written comments or representations to the council in respect of the proposed debt.

16.2 A copy of the information statement must be submitted to Council at least 21 days prior to the meeting to discuss the proposed loan, together with particulars of:

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

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

17. PROVISION FOR REDEMPTION OF LOANS

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

18. NON-REPAYMENT OR NON-SERVICING OF LOAN

18.1 The Municipality must honour all its loan obligations timeously. Failure to effect prompt payment will adversely affect the raising of future loans at favorable costs of borrowing.

18.2 Failure to pay any loan instalment even by one day, and even if only through administrative oversight, will have severe repercussions and may jeopardize the Municipality's credit rating.

18.3 In addition to the timeous payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements and the undermentioned are some examples of typical covenant requirements:

- furnish audited annual financial statements timeously
- long term credit rating not to decline below A+
- reporting of material changes in financial position of the Municipality
- material changes in the functions, power and duties of the Municipality

19. PROHIBITED BORROWING PRACTICES

19.1 In the past some Municipalities have borrowed funds with the sole purpose of investing them to earn a return. The motive was clearly speculative. The cost of debt is almost always more expensive than the return that the Municipality can derive by investing in permitted investments. Consequently, as a principle, the Municipality does not borrow for investment purposes, but depending on the shape of the interest yield curve may borrow in advance of its capital cash flow needs in a given financial year to take advantage of an inverse interest yield curve.

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

20. INTERNAL CONTROL

20.1 The internal control procedures involve testing by Internal Audit and reporting in terms of Performance Management, and the Auditor-General reviewing and testing the systems of the Finance Department on a regular basis. In order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the portfolio.

20.2 Controls deemed most important include:

a) Control of collusion, separation of duties.

b) Custodial safekeeping of loan agreements and contracts.

c) Clear delegation of duties.

d) Checking and verification by senior officials of all transactions.

e) Documentation of transactions and repayments.

f) Code of ethics and standards.

g) Procedure manuals.

21. NATIONAL TREASURY REPORTING AND MONITORING REQUIREMENTS

21.1 The Municipality submits numerous returns to National Treasury. It is mainly coordinated by the Accounting Division. One such report deals with the Municipality's external interest paid each month. Another return, prepared on a quarterly basis, requires the Municipality to itemise all its external borrowings for the quarter ended.

22. OTHER REPORTING AND MONITORING REQUIREMENTS

22.1 Regular reporting mechanisms are in place in order to access the borrowings portfolio and to ensure compliance with policy objectives, guidelines and applicable laws.

22.2 Monthly activities include:

a) Reconciliation of bank accounts

b) Payment requisition verification and authorisation

c) Comparison of actual payment to budget

d) Maintain schedule of payment dates and amounts.

e) National Treasury Cash Flow return

f) Analysis of Ratios

g) Scrutiny of loan agreements to ensure compliance with loan covenants

22.3 Quarterly activities:

a) National Treasury Borrowings return

b) Restructure Grant input

22.4 Annually:

a) Preparation of Annual Budget

b) Preparation of Annual Cash Flow Forecast

c) Preparation of Annual Approximates/Estimates

d) Preparation of Annual Financial Statements

e) Confirmation of Lender balances at financial year end obtaining written certification of loan balances at year end

f) Completion of credit rating questionnaire

g) Regular reviews by Internal Audit; Performance Management & Auditor-General

23. POLICY ADOPTION

This policy has been considered and approved by the **COUNCIL OF UMZUMBE LOCAL MUNICIPALITY** as follows:

Resolution No:………………………….

Approval Date:.....................

<u>(“The Municipality”)</u>

FUNDS AND RESERVES POLICY

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1. DEFINITIONS

"**Municipality**" means Umzumbe Local Municipality

"**MFMA**" means the Municipal Financial Management Act, 2003 (Act No 56 of 2003)

"**GRAP**" means Generally Accepted Accounting Practices standards.

"**CFO**" means the Chief Financial officer of the Municipality

"**Accounting Officer**" means the Municipal Manager of the Municipality

2. INTRODUCTION

The funding and reserves policy aims to ensure that the Municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

This policy aims to set guidelines towards ensuring financial viability over both the short- and long-term which includes reserves requirements.

3. OBJECTIVES OF THIS POLICY

The objectives of this policy are to:

3.1 Ensure that the Medium Term Expenditure Framework (annual budget) of the Municipality is appropriately funded.

3.2 Ensure that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities.

3.3 To achieve financial sustainability with acceptable levels of service delivery to the community.

4. LEGISLATIVE REQUIREMENTS

The legislative framework governing borrowings are:

4.1 Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003); and,

4.2 Local Government: Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

5. FUNDING OF ANNUAL BUDGET

5.1 An annual budget may only be funded from:

(a) Cash backed accumulated funds from previous year's surpluses and reserves not committed for any other purpose; and/or

(b) Borrowed funds but only for capital expenditure.

5.2 Realistic anticipated revenue projections must take into account:

(a) Projected revenue for the current year based on collection levels to date.

(b) Actual revenue collected in previous financial years.

5.3 Capital expediting may only incur on a capital project if:

(a) The funding for the project has been appropriated in the capital budget.

(b) The total cost for the project has been approved by Council.

(c) The future budgetary implications and projected cost covering all financial years until the project is operational has been considered.

(d) The implications of the capital budget on municipal tax and tariff increases.

(e) The sources of funding are available and confirmed and have not been committed for other purposes.

6. CASH MANAGEMENT

6.1 The availability of cash is one of the most important requirements for financial sustainability and must be closely monitored by Council to ensure minimum days cash on hand of ninety (90) days for its daily operations.

6.2 Changes in the municipal environment that may have an impact on the municipal cash position includes:

(a) Changes in revenue levels as a result of decrease in government grants;

(b) Reduced growth as a result of economic conditions;

(c) Increase in non-payment rate as a result of economic conditions;

(e) Increased debt levels.

6.3 Surplus cash not immediately required for operational purposes is invested in terms of the Municipality's investment policy to maximize the return on cash.

7. DEBT MANAGEMENT

7.1 Debt is managed in terms of the municipal credit control and debt collection policy.

7.2 The provision for revenue that will not be collected are budgeted as an expense and is based on the projected annual non-payment rate for each service.

8. OPERATING BUDGET

8.1 The operating budget provides funding to departments for their medium term expenditure as planned. The Municipality categorises services rendered to the community according to its revenue generating capabilities.

(a) Trading services - services that generate surpluses that can be used for cross subsidisation to fund other services.

(b) Economic services - services that break even with no surpluses.

(c) Rates and general services - services that are funded by rates, surpluses generated by trading services, and/or other revenues generated such as fines, interest received, grants and subsidies etc.

8.2 The operating budget is funded from the following main sources of revenue:

(a) Property rates.

(b) Surpluses generated from service charges.

(c) Government grants and subsidies.

(d) Other revenue, fines, interest received etc.

8.3 The following guiding principles apply when compiling the operating budget:

(a) The annual budget must be balanced and fully funded.

(b) Growth parameters must be realistic taking into account the current economic conditions.

(c) Tariff adjustments must be realistic, taking into consideration the general inflation, affordability, bulk increases and the demand according to the approved Integrated Development Plan (IDP).

(d) Revenue from government grants and subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes.

(e) Revenue from public contributions, donations or any other grants may only be included in the budget if there are acceptable documentation that guarantees the funds such as:

  (i) Signed service level agreement;

  (ii) Contract or written confirmation; or

  (iii) Any other legally binding document.

(f) Property rates are levied according to the Municipal Property Rates Act 2004 (Act No.6 of 2004), and property rates policy. The budget is compiled using the latest approved valuation and supplementary roll, consistent with current and past trends. Property rates tariffs and rebates are determined annually as part of the tariff setting process.

(g) Property rates rebates, exemptions and reductions are budgeted either as revenue foregone or expenditure as per directive in MFMA Budget Circular 51 depending on the conditions thereof.

(h) Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions.

(i) Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone or as expenditure as per directive in MFMA Budget Circular 51 depending on the conditions thereof.

(j) Other projected income is charged in terms of the approved sundry\ tariffs and fines considering the past trends and expected growth for each category.

(k) Provision for revenue that will not be collected is made against the expenditure item bad debt provision and based on actual collection levels for the previous financial year and the projected annual non-payment rate.

(l) Interest received from actual long-term and or short-term investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends.

(o) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and new and/or funded vacant positions are budgeted for nine months only of the total package considering the recruitment process.

(p) The annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs.

(q) To ensure the health of municipal assets, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels, resulting that maintenance budgets are normally lower than the recommended levels. Therefore the mere reduction of maintenance budgets to balance annual budgets must carefully be considered. As a guiding principle repair and maintenance should constitute between 7% and 9% of total asset base and should annually be increased incrementally until the required targets are achieved.

(r) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure increases for these line items must be linked to the average inflation rate and macro-economic indicators unless a signed agreement or contract stipulates otherwise.

9. CAPITAL BUDGET

9.1 The capital budget provides funding for the municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

9.2 Provisions on the capital budget shall be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:

(a) Accumulated cash backed internal reserves;

(b) Borrowings;

(c) Government grants and subsidies; and

(d) Public donations and contributions.

9.3 The following guiding principles apply when considering sources of funding for the capital budget:

(a) Government grants and subsidies:

(i) Only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per provincial gazettes may be used to fund projects;

(ii) The conditions of the specific grant must be taken into consideration when allocated to a specific project; and

(iii) Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.

(b) In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding is guaranteed by means of:

(i) Signed service level agreement;

(ii) Contract or written confirmation; and/or

(iii) Any other legally binding document.

All above documentation must be accompanied by a Council Resolution

(c) Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.

(d) The borrowing requirements, to be used as a basis to determine the affordability of external loans over the Medium Term Income and Expenditure Framework. The ratios to be considered to take up additional borrowings:

(i) Long-term credit rating of BBB;

(ii) Interest cost to total expenditure to not exceed 5%;

(iii) Long-term debt to revenue (excluding grants) not to exceed 30%;

(e) Allocations to capital projects from cash backed internal reserves will be based on the available funding for each ring-fenced reserve according to the conditions of each reserve as follows:

(i) Infrastructure projects to service new developments and the revenue is received through the sale of stands/land/site must be allocated to the capital reserve for services;

(ii) Capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc. must be allocated to the capital reserve from revenue which is funding from the revenue budget for that specific year. A general principle is that these types of capital

expenditure should not exceed more than 1% of total operating expenditure;

(iii) Capital projects to replace and/or upgrade existing assets will be allocated to the capital replacement reserve;

(iv) Capital projects to upgrade bulk services will be allocated to the capital bulk contributions reserve for each service.

9.4 All capital projects have an effect on future operating budget therefore the following cost factors should be considered before approval:

(a) Additional personnel cost to staff new facilities once operational;

(b) Additional contracted services, that is, security, cleaning etc.

(c) Additional general expenditure, that is, services cost, stationery, telephones, material etc.

(d) Additional other capital requirements to the operate facility, that is, vehicles, plant and equipment, furniture and office equipment etc.

(e) Additional costs to maintain the assets;

(f) Additional interest and redemption in the case of borrowings;

(g) Additional depreciation charges;

(h) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

10. RESERVES

10.1 All reserves are "*ring fenced*" as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognized Accounting Practices (GRAP).

11. PROVISIONS AND LIABILITIES

A provision is recognised when the municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities. Those that are expected to be settled over a greater period than twelve (12) months are dealt with hereunder.

Liabilities are economic outflows which are as a result of past events. These are either constructive or legal obligations, for which the timing and amount is certain. Those that are expected to be settled within 12 months is deemed current liabilities whilst those expected to be settled greater than 12 months is deemed non-current and I more fully dealt with hereunder.

The municipality has the following main provisions and liabilities:

(a) *Leave provision*

Liabilities for annual leave are recognised as they accrue to employees.

An annual provision is made from the operating budget to the leave provision. Due to the fact that not all leave balances are redeemed for cash, only 75% of the leave provision will be strived to be cash backed.

(b) *Landfill rehabilitation provision*

The landfill site rehabilitation provision is created for the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the landfill site. This provision must be fully cash backed to ensure availability of cash for rehabilitation on closure.

(c) *Long services awards and retirement gifts*

Municipal employees are awarded leave days or cash according to years in service at year end. Due to the fact that not all long service leave balances are redeemed for cash, the municipality shall strive to ensure only 75% of the non-current portion of the long service leave provision is cash backed.

(d) *Post employment medical care benefits*

The municipality provides post-retirement medical care benefits by subsidizing the medical aid contributions to retired employees and their legitimate spouses. The expected cost of these benefits is accrued over a period of employment. The municipality must strive to ensure the provision is cash backed to 75% ensure the availability of cash for the payment of medical aid payments

(e) *Non-current lease liabilities and annuity loans*

The non-current portion is not required to be cash backed unless:

- there is significant uncertainty that the municipality will not be in a position to meet the terms and conditions as stipulated in the agreement, and
- the agreement contains conditions that require the municipality to pay back the full amount should there be an uncertified breach of the terms and conditions, and
- it is probable that these will be enforced by the lending institution.

12. OTHER ITEMS TO BE CASH BACKED

12.1 *Donations, public contributions, unspent grant funding*

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any other items on the operating or capital budget other than that for which it was intended for. These items must be 100% cash backed.

12.2 *Consumer deposits*

Consumer deposits are partial security for a future payment of an account. Deposits are considered a liability as the deposit is utilised on the account once the service is terminated. Therefore the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget. These items must be 100 % cash backed.

12.3 Other *Current Liabilities*

Current Liabilities are liabilities which are expected to be settled within the next 12 months. These include but are not limited to current portion of non-current liabilities and trade payables As such 100% of this category should be cash backed.

13. ADHERENCE TO POLICY

Umzumbe Municipality is a developmental municipality and as such shall strive to meet the above funding requirements over the medium term (3-5 years). This shall be undertaken via the budget process annually and either realistically increasing revenues or decreasing capital and operating expenditure.

14. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

15. POLICY ADOPTION

This policy comes into effect upon adoption by the **COUNCIL OF UMZUMBE LOCAL MUNICIPALITY.**

CREDIT CONTROL & DEBT COLLECTION POLICY

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PART 15 ANNEXURE: LEGAL REQUIREMENTS

PART 1 OBJECTIVE: CONSTITUTIONAL OBLIGATIONS

The council of the municipality, in adopting this policy on credit control and debt collection, recognizes its constitutional obligations to develop the local economy and to provide acceptable services to its residents. It simultaneously acknowledges that it cannot fulfil these constitutional obligations unless it exacts payment for the services which provides and for the taxes which it legitimately levies – in full from those residents who can afford to pay, and in accordance with its indigency relief measures for those who have registered as indigents in terms of the council's approved indigency management policy.

PART 2 EXPECTED FUTURE PAYMENTS LEVELS

In terms of the budgets approved by council, and in accordance with commonly accepted best practice, this municipality will have to strive to its utmost to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 95%.

It is generally accepted by this council that payment levels averaging below 95% per month are untenable, and are a certain forerunner of financial disaster for this municipality. Even with payment levels of 95% it means that the council will annually have to provide on its expenses budget a contribution to bad debts of 5% of the aggregate revenues legitimately owing to this municipality – a contribution that is made at the direct cost of improved services delivery and developmental projects.

However, the municipality's accounting policy relating to Trade receivables from non-exchange transactions is applicable. The accounting policy indicates that Trade receivables from non-exchange transactions are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, risk classes (households, business and government), probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Discounted cash flows are based on applying the prime rate to estimated cash flow projections taking into consideration sampled debtors within their classes as well as objective indicators such as government commitments and legal action application processes, where relevant. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

The only solution to the ongoing problem of non-payment by residents who can afford their monthly commitments to the municipality is two introduce a twofold approach: to promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time – through the formal political structures of the municipality, and in the administration's general dealings with the public – to make the community aware of its legal obligations towards the municipality, and to emphasis the negative consequences for all if non-payment continues. The municipality's ward committees are particularly charged with this responsibility.

PART 03 NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES

Within 7 (seven) calendar days after each monthly due date for payment of municipal accounts for property rates and / or service charges, the municipal manager shall dispatch to every defaulting accountholder, that is, every accountholder who as the date of notice has not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that they have defaulted and requesting them to pay urgently before any action is taken.

PART 4 ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

Allowing defaulting accountholders to make arrangements for the payment of arrear accounts shall be at the discretion of the municipal manager.

Each defaulting accountholder shall be allowed a maximum period of 3 (three) months within which to pay an arrear account, together with the interest raised (if applicable and resolved by Council to charge interest read in conjunction with the budget policy) on such account, and it shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.

If an accountholder breaches any material term of arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality, and if the accountholder defaults on such payment, the municipal manager shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection as envisaged in part 8.

An accountholder who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default as envisaged in part 3 and failure by the accountholder to pay the arrear account, together with the interest raised on such arrears as required in terms of such notice, as though such accountholder had breached a material term of an arrangement.

PART 5 ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS

If an accountholder pays only part of any municipal account due, the municipal manager shall allocate such payment as follows:

- Firstly, to any unpaid charges levied by the municipality in respect of unacceptable cheques, notices, and legal expenses in respect of the account or property concerned;
- Secondly, to any unpaid interest raised on the account;

- Thirdly, to any unpaid property rates;

This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the accountholder.

PART 6 QUERIES BY ACCOUNTHOLDERS

In the event of an accountholder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the accountholder as contemplated in part 3 provided the accountholder has paid by due date an amount equal to the monthly average monetary value of the three most recent unqueried accounts in respect of the service under query, as well as all unqueried balances on such account, and provided further such query is made in writing by the accountholder or is recorded in writing by the municipal manager on behalf of the accountholder on or before the due date for the payment of the relevant account. Any query raised by an accountholder in the circumstances contemplated in part 14 below shall not constitute a reasonable query for the purpose of the present paragraph.

PART 7 DISHONOURED AND OTHER UNACCEPTABLE CHEQUES

If an accountholder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the accountholder's bankers, the municipality manager shall – in addition to taking the steps contemplated in this policy against defaulting accountholders – change such accountholder the penalty charge for unacceptable cheques, as determined by the council from time to time, and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations contemplated in part 5.

PART 8 DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER

The municipal manager, including any person acting in such capacity, shall be responsible to the council for the implementation of this policy and its attendant by-laws but – without in so doing being divested of such responsibility – may delegate in writing all or any of the duties and responsibilities referred to in these by-laws to any other official or officials of the municipality, any may from time to time in writing amend or withdraw such delegation(s).

PART 9 ROLE OF MUNICIPAL MANAGER

Section 100 of the Municipal Systems Act 2000 (see part 24 below) clearly assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the municipal manager.

In practice, however, the municipal manager will inevitably delegate some or many of the responsibilities specifically assigned to this office in the by-laws, as it will be administratively impossible for the municipal manager to perform the numerous other functions of this office as well as attend to frequently recurring administrative responsivities. However, such delegation does not absolve the municipal manager will therefore have to ensure that a proper internal reporting structure is established and consistently implemented so that the day-to-day actions of and resulting from the credit control and debt collection programme are properly monitored and supervised. It is also an integral feature of the present policy that the municipal manager shall report monthly to the executive mayor or the executive committee, as the case maybe and quarterly to the council on the actions taken in terms of by-laws, and on the payment levels for the period concerned. Such reports shall, as soon as practicably possible, provide the required information both in aggregate and by municipal ward.

In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by councillor's which could reasonably be interpreted as constituting interference in the application of the by-laws.
Notwithstanding all the foregoing references to the accountability of the municipal manager in regard to these by-laws, it is incumbent on all the officials of the municipality, certainly all those who are at management level, as well as more junior officials who are indirectly involved with the community and the municipality's general customer relations, to promote and support both this credit control and debt collection policy and the application of the attendant by-laws. The responsibilities of all officials include reporting to the municipal manager any evident breaches of these by-laws, whether by members of the community, other officials or councillors of the municipality.

PART 10 ROLE OF COUNCILLORS
Section 99 of the Systems Act 2000 places the important legal responsibility on the executive mayor or executive committee, as the case may be, of monitoring and supervising the application of the present policy and the attendant by-laws, and of reporting to the council on the extent and success of credit control actions.

The present policy further recommends that the municipality's ward committees be actively involved in implementing the credit control and debt collection programme and should therefore receive monthly reports on the status of the municipal manager's credit control actions. The ward committees must also actively promote the present policy, and ensure at the same time that the municipality's customer relations are of a standard acceptable to the community.

In order to maintain the credibility of the municipality in the implementation of the present policy and the attendant by-laws, it is essential that councillors' should lead by example. Councillors', by adopting this policy, thereafter pledge, not only their unqualified support for the policy, but their commitment to ensuring that their own accounts will at no age stage fall into arrears.

PART 11 INTEREST ON ARREARS AND OTHER PENALTY CHARGES
Council may decide to charge interest and penalties on arrear accounts based on factors of realistic and practical recovery, area dynamics as well as incentives offered to recover outstanding debt, taking into consideration the budget policy and reflected in the budget as interest on overdue accounts.

Interest may be charged on all arrear accounts at the prevailing overdraft rate offered by the municipality's bankers plus 2 (two) percentage points.

If the municipality uses more than one banking institution it shall for purposes of determining the interest on arrear accounts apply the overdraft rate offered by the institution which its primary bank account is placed.

Interest shall be calculated on a daily basis. For purposes of determining arear amounts, all amounts unpaid including interest preciously raised and penalty charges, but excluding value added tax shall be taken into account.

PART 12 INDIGENCY MANAGEMENT
In regard to the payments expected from registered indigents, and the credit control and debt collection actions contemplated in respect of such residents, this policy must be read in conjunction with the municipality's approved policy on indigency management.

PART 13 UNCOLLECTABLE ARREARS
The effective implementation of the present policy also implies a realistic review of the municipality's debtor's book at the conclusion of each financial year. The municipal manager shall as soon as possible after 30 June each year present to the council a report indicating the amount of the arrears which it is believed is uncollectable, together with the reasons for this conclusion.
The council shall then approve the write off of such arrears, if is satisfied with the reasons provided.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, risk classes (households, business and government), probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

PART 14 BY-LAWS TO BE ADOPTED
By-laws shall be adopted to give effect to the council's credit control and debt collection policy.
These by-laws deal severally with defaulters, and their application requires a considerable degree of commitment from the municipal manager and his or her administration, as well as from the municipality's political structures. For these by-laws to ensure the avoidance of financial misfortunes foe the municipality, and to lead sustained financial stability, their application will have to receive the constant attention of all the municipality's key role players and decision makers. If these by-laws are not constantly and consistently applied, from month to month and from year to year, the municipality's political and administrative credibility will be severely

impaired, and it may be able to avert financial collapse in the long run. Although these by-laws envisage even the termination of basic services for defaulting accountholders this will not in itself – no matter how harsh it may seem to those councillors and officials who are disposed to greater leniency – prevent the accumulation of arrears. The monthly billing property rates will continue in respect of defaulting accountholders, even though their consumption of electricity and water may have been terminated or restricted. The termination or restriction of services must therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully curtailed. The by-laws comply with the requirements of the Municipal Systems Act 2000, the Water Services Act 1997 and the Municipal Finance Management Act 2003.

The by-laws also deal with the determination and payment of consumer deposits, and accordance with part 11 of the present policy effectively differentiate in this respect between accountholders who are both the owners and occupiers of the fixed property concerned, on the one hand, and accountholders who are tenants of such properties, on the other. This differentiation is essential if the municipality wishes to protect its interest in so far as tenants are concerned, but – in any event – it is not believed that a degree of differentiation imposes an unreasonable financial burden on such tenants (effectively the deposit required from owners / occupiers represents three months average consumption whereas the deposit in the case of tenants represents four months consumption) It is not proposed that accountholders who have currently not lodged deposits should be required to do so forthwith, but only within a two-year period, but that accountholders who default at any future date should be immediately obliged both to sign proper service contractors and to lodge the deposits required in terms of both such contract and by-laws.

PART 15 ANNEXURE: LEGAL REQUIREMENT

It is essential for the protection of the municipality's interests that the provisions of particularly the Municipal Systems Act 2000 and the Property Rates Act 2004, in so far as they provide additional debt collection mechanisms for municipalities, be diligently enforced. At the same time, both the council and the administration must note the obligations, which the municipality has towards the community in respect of customer care and relations.

For ease of reference a paraphrase of the relevant extracts from the Municipal Systems Act, specifically Sections 95 to 103 and Section 118, are therefore appended to this policy, as are Section 28 and 29 of the Property Rates Act. The immediately relevant extracts from the Water Services Act 1997 and the Municipal Finance Management Act are also included in the annexure.

ANNEXURE

SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 95: CUSTOMER CARE AND MANAGEMENT

A municipality must, in relation to the levying of rates and rates other taxes, and the charging of fees for municipal services, with its financial and administrative capacity, do the following:

- Establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality itself or (where applicable) a service provider;
- Establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider with regard to the quality of the services and the performance of the service provider;
- Take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which moneys raised from the service are utilized;
- Where the consumption of services is measured, take reasonable steps to ensure that the consumption by individual consumers of services is measured through accurate and verifiable metering services;
- Ensure that persons liable for payments receive regular and accurate accounts which indicate the basics for calculating the amounts due,
- Provide accessible mechanisms for those persons to query or verify accounts and metered consumption, as well as appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- Provide accessible mechanisms for dealing with complains from such persons, together with prompt replies and corrective action by the municipality;
- Provide mechanisms to monitor the response time and efficiency in complying with the aforementioned requirements; and
- Provide accessible pay points mechanisms for settling accounts or for making prepayments for services.

SECTION 96: DEBT COLLECTION RESPONSIBILITY OF MUNICIPALITY

A municipality must collect all moneys that are due and payable to it, subject to requirements of the present Act and any other applicable legislation. For this purpose, the municipality must adopt, maintain and implement a credit control and debt collection policy which its rates and tariff policies and which complies with the provisions of the present Act.

SECTION 97: CONTENTS OF POLICY

The municipality's credit control and debt collection must provide for all of the following:

- Credit control procedures and mechanisms;
- Debt collection procedures and mechanisms;
- Provision for indigent debtors in a manner consistent with its rates and tariff policies and any national policy indigents;
- Realistic targets consistent with generally recognized accounting practices and collection ratios, and the estimates of income set in the budget less an acceptable provision for bad debts;
- Interest on arrears (where appropriate);
- Extensions of time for payment of amounts;
- Termination of services or the restriction of the provision of services when payments are in arrears;
- Matters relating to unauthorized consumption of services, theft and damages; and
- Any other matters that may be prescribed by regulation in terms of the present Act.

The municipality, within its discretionary powers, may differentiate in its credit control and debt collection policy between different categories of ratepayers. Users of services, debtors, taxes, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

SECTION 98: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the municipality's credit control and collection policy, its implementation and enforcement.

Such by-laws may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and if so, must ensure that such differentiation does not amount to unfair discrimination.

SECTION 99: SUPERVISORY AUTHORITY

A municipality's executive mayor or executive committee, as the case may be, or – if the municipality does not have an executive committee or executive mayor – the council of the municipality itself, or a committee appointed by the council as the supervisory authority, must do all of the following:

- Oversee and monitor the implementation and enforcement of the municipality's credit control and debt collection policies and any by-laws enacted in terms of the foregoing requirements, and the performance of the municipal manager in implementing policies and by-laws;

- Where necessary, evaluate or review the policies and by-laws, and the implementation of such polies and by-laws, in order to improve the efficiency of its credit control and debt collection mechanism, processes and procedures; and
- At such intervals as may be determined by council, report to a meeting of the council, except when the council itself performs the duties of the supervisory authority.

SECTION 100: IMPLEMENTING AUTHORITY

The Municipal manager, or – where applicable – the service provider must:

- Implement and enforce the municipality's credit control and debt collection policies and by-laws enacted in terms of the foregoing requirements;
- In accordance with the credit control and debt policies and any by-laws, establish effective administrative mechanisms, processes and procedures to collect moneys due and payable to the municipality; and
- At such intervals as may be determined by council, report the prescribed particulars to a meeting of the supervisory authority referred to previously.

SECTION 101: MUNICIPALTY'S RIGHT OF ACCESS TO PREMISES

The occupier of premises in a municipality must give an authorized representative of the municipality or of the municipality or of a service provider access at all reasonable times to the premises in order to read, inspect, install or repair any meter or service connexion for reticulation, or to disconnect, stop or restrict the provision of any service.

SECTION 102: ACCOUNTS

Expect where there is a dispute between the municipality and the person from whom the municipality has claimed any specific amount, a municipality may:

- Consolidate any separate account of such person;
- Credit payment by such person against any account of that person;
- And implement any of the debt collection and credit control measures provided for in the present Act in relation to any arrears on any of the accounts of such person.

SECTION 103: AGREEMENTS WITH EMPLOYEES

A municipality may, within its discretionary powers, but with the consent of any person liable to the municipality to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with such person's employer to deduct from the salary or wages of such person's any outstanding amounts due by such person to the municipality or such regular monthly amounts as may be agreed to.

The municipality may further, within its discretionary powers, provide special incentives for employers to enter into such agreements and for employees to consent to such agreements.

SECTION 118: RESTRAINT OF TRANSFER OF PROPERTY

The registrar of deeds or any other registration officer of immovable property may not register the transfer of any property other than on the production to such registration officer of a prescribed certificate issued by the municipality in which such property is situated, and which certificate certifies that all amounts due in connexion with such 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 application for the certificate have been fully paid.

A municipality may recover, as far as is practicable, all amounts due to it for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties, in preference to any mortgage bonds against any property which is to be transferred.

CODE OF CONDUCT FOR MUNICIPAL STAFF MEMBERS

Paragraph 10 of this Code of Conduct stipulates that if any staff member of a municipality is in arrears to the municipality for rates and service charges for a period of longer that 3 months, the municipality may deduct any outstanding amounts from such member's salary after this period.

CODE OF CONDUCT FOR COUNCILLORS

Section 6A of this code requires councillor's to pay all rates, tariffs, rents and other moneys due to the municipality promptly and diligently.

The municipal manager is further required to notify the speaker of the council and the MEC for Local Government, in writing, whenever a councillor has been in arrears with any of these payments for a period exceeding 30 days.

SECTION III LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003 SECTION 64: REVENUE MANAGEMENT

The accounting officer of the municipality is responsible for the management of the municipality's revenues, and must, for this purpose, take all reasonable steps to ensure:

- That the municipality has effective revenue collection systems consistent with Section 95 of the Municipal Finance Act 2000 at the municipality's credit control and debt collection policies:
- That revenues due to the municipality are calculated on a monthly basis;
- That accounts for municipality taxes and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
- That all moneys received are promptly deposited in accordance with the requirements of the present Act, into the municipality's primary and other bank accounts;
- That the municipality has and maintains a management, accounting and information system which recognizes revenues when they are due, accounts for debtors, and accounts for receipts of revenues;
- That the municipality has and maintains a system of internal control in respect of debtors and revenues, as may be prescribed;
- That the municipality charges interest on arrears, accept where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework; and
- That all revues received by the municipality, including revenues received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

The accounting officer must immediately inform the national treasury of any payments due by an organ of state to the municipality in respect of municipal taxes or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

NOTE: SECTION 164: FORBIDDEN ACTIVITIES

Section 164(1) c lists as a forbidden activity the making by a municipality of loans to councillors or officials of a municipality, directors or officials of any municipal entity, and members of the public. It has been assumed for purposes of compiling the credit control and debt collection policy that allowing any party to pay off arears and municipal service charges is not tantamount to the making of a loan in terms of Section 164.)

SECTION IV: LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 SECTION 28: RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIES

If the rates owed by a property owner are unpaid by due date, the municipality may recover such rates, either in whole or in part, from any tenant or occupier of the property concerned.

However, the tenant or occupier of the property must first be given written notice of the municipality's intentions, and the amount which the municipality may recover is limited to the amount of rent and other moneys due and unpaid by the tenant or occupier to the property owner concerned.

SECTION 29: RECOVERY OF RATES FROM AGENTS

It is more convenient for the municipality to do so, it may recover the rates due on a property, either in whole or in part, from the agent of the property owner concerned.

However, the agent must first be given written notice of the municipality's intention, and the amount the municipality may recover is limited to the amount of any rent and other moneys received by the agent on behalf of such property owner, less any commission due to the agent.

UMZUMBE MUNICIPALITY

Investment, Banking & Cash Management Policy

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Definitions:

In this Policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning.

‘‘Accounting Officer’’ means the Municipal Manager of Umzumbe Local Municipality;

‘‘Chief Financial Officer’’ means the Chief Financial Officer of Umzumbe Local Municipality;

‘‘creditor’’ in relation to a municipality, means a person to whom money is owing by the municipality;

‘‘financial year’’ means a year ending on 30 June;

‘‘investment’’ in relation to funds of a municipality, means-

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

“liquidity” refers to a financial ability of the municipality or any other company to service its debts when falling due;

“MFMA” refers to the Municipal Finance Management Act, (Act 56 of 2003);

“Minister” refers to a Cabinet member responsible for finance;

‘‘month’’ means one of the 12 months of a calendar year;

‘‘Municipality’’ refers to Umzumbe Local Municipality;

“Policy” refers to the Investment, Banking & Cash Management for Umzumbe Local Municipality;

‘‘primary bank account’’ means the main bank account referred to in section 8(1) of the MFMA;

1. Objective and Scope of the Policy

1.1. The Council and staff of the Municipality, as trustees of public revenues, have an obligation to the community to ensure that the Municipality’s cash resources are managed effectively and efficiently.

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

1.3. This Policy is intended to provide a framework for ensuring the proper management and investment of its cash resources so as to ensure:

1.3.1. That the net current asset requirements of the Municipality are effectively managed;

1.3.2. that sufficient cash resources are available to finance the capital and operating budgets of the Municipality;

1.3.3. that the highest possible return on investments is gained without unnecessary risk, during periods when excess funds are not immediately required;

1.3.4. that in so doing, the primary aim of preserving and ensuring the safety of deposits is promoted;

1.3.5. that there is effective control over the management of bank accounts

1.3.6. that investments are diversified;

1.4. This Policy shall apply to the management of all of the cash resources and of the Municipality and to all investments made by it.

2. Legal Provisions

The Municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of:

2.1. the Local Government: Municipal Finance Management Act No. 56 of 2003 ("the MFMA") and

2.2. any Regulations made thereunder, including, in particular, the Municipal Investment Regulations published under GN R308 in Government Gazette 27431 of 1 April 2005 ("the Investment Regulations").

3. Principles of Sound Cash Management

In order to promote sound cash management, the Municipality shall adhere to the following principles:

3.1. It shall collect revenue when it is due and bank it promptly. Where banking of revenue is impractical. It shall be the responsibility of the Chief Financial Officer or delegated person to ensure effective and efficient control measures to safeguard cash while kept at the premises of the Municipality e.g. keeping cash in a fireproof safe.

3.2. It shall make payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the creditor's normal terms for account payments;

3.3. It shall avoid pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;

3.4. It shall accept discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;

3.5. It shall apply its debt collection policy to ensure that amounts receivable by the Municipality are collected and banked promptly;

3.6. It shall accurately forecast its cash flow requirements;

3.7. It shall monitor the inflow and outflow of cash;

3.8. It shall recognise the time value of money by economically, efficiently and effectively managing cash;

3.9. It shall take any other action as may promote the efficient utilisation of cash resources, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets; and

3.10. It shall avoid bank overdrafts.

4. <u>Cash Collection</u>

4.1. All monies due to the Municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis to the credit of the Municipality's primary bank account. For amounts less than one thousand rand (R1000), as soon as possible, but not later than the last working day of the week.

4.2. The daily banking of cash has proven to be uneconomical due to the average amount of revenue collected daily and the distance travelled to bank the revenue collected.

4.3. The Municipality shall endeavour to apply its Credit Control and Debt collection Policy rigorously in order to promote the collection of moneys due to it. This includes charging interest and recovering other costs when appropriate and setting target dates when these are payable.

5. Receipt of Payments

5.1. The receipt of all monies collected by the Council shall be acknowledged forthwith by the issue of a numbered official receipt, as provided in this section.

5.2. When money is received over the counter:

5.2.1. Every amount of payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket; and

5.2.2. Every receipt form which is cancelled will be reattached in the correct place, in the receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes.

5.3. When money is received by electronic transfer, such transfers must be immediately recorded and receipts may be issued where necessary.

6. Payments to Creditors

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

6.2. The Municipality shall make full use of any extended terms of payment offered by suppliers.

6.3. Creditors' statements must be reconciled monthly.

6.4. Payments must be made only on receipt of an official order, certified goods received note, official company invoice, quotations and quotation summary and other supporting documents.

6.5. All payments, other than petty cash disbursements, shall be made through the Municipality's bank account(s).

6.6. Issuing of cash cheques must be limited as far as possible. In the instance of requiring a cash cheque, detailed reasons must be presented substantiating the need for a cash cheque. The value of cash cheques may not exceed R10 000 unless in certain circumstances where motivating reasons are presented and approved.

6.7. The Chief Financial Officer shall, in consultation with the Accounting Officer and with due regard to the Council's policy on banking and investments, and subject to 6.10, determine the rules and procedures relating to the signing of cheques/approving electronic transfers, and from time to time jointly with the Accounting Officer decide on appropriate signatories.

6.8. Only the Accounting Officer or the Chief Financial Officer, or any other senior official of the Municipality acting on the written authority of the Accounting Officer, may withdraw money or authorize the withdrawal of money from any of the Municipality's bank accounts, and shall do so only for the purposes prescribed in Section 11 of the MFMA.

6.9. All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the Chief Financial Officer or delegated person. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the Chief Financial Officer or delegated person.

6.10. The maximum amount and nature of petty cash disbursements, shall be generally determined from time to time by the Chief Financial Officer, subject, however, to the provisions of the Municipality's Supply Chain Management Policy.

6.11. The Accounting Officer or delegated person shall be responsible for the payment of all salaries and remuneration benefits to employees and councilors, and for the determination of the payment system to be used.

6.12. Payments to creditors shall in any event be made in accordance with the provisions of the MFMA, and in particular, with Section 65 thereof.

7. Contract Management

Subject to the provisions of the Municipality's Supply Chain Management Policy:

7.1. all buying contracts shall be administered by the Accounting Officer and all payments relating to such contracts shall be authorised by the head of department concerned; and

7.2. all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the Chief Financial Officer or delegated person for payment.

8. Investment Ethics

8.1. The Accounting Officer or delegated person shall be responsible for investing the surplus revenues of the Municipality, and shall manage such investments in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance, including, in particular, the Investment Regulations.

8.2. In making such investments the Accounting Officer or delegated person shall at all times have only the best interests of the Municipality in mind, and shall not accede to any influence by or interference from councilors, investment agents or institutions or any other outside parties.

8.3. No official or councilor of the Municipality may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the Municipality has made or may potentially make an investment.

9. Investment Principles

9.1. When money is available for investment, it shall be invested in accordance with the provisions contained in this policy.

9.2. After determining whether there is cash available for investment and fixing the maximum term of investment, the Accounting Officer or delegated person must determine the best manner in which to invest it. As rates vary according to money market perceptions, quotations must be requested telephonically, within term limitations, and these must be set out on a schedule.

9.3. In order to limit exposure, where large sums of money are available for investment, the Accounting Officer or delegated person shall ensure that:

9.3.1. they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the Municipality; and

9.3.2. As far as it is practically and legally possible, the Municipality's investments are so distributed that more than one investment category is covered.

9.4. Although the objective of the Accounting Officer in making investments on behalf of the Municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. It can be accepted as a general rule that the larger the return, the greater the risk.

9.5. When investments are placed with smaller registered institutions, the Accounting Officer or delegated person shall ensure that the Municipality is not exposed to undue risk, and shall ensure that the creditworthiness and performance of the institution are satisfactory. Information from which the creditworthiness of financial institutions can be determined must be obtained and analysed at least annually

9.6. The Municipality may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

9.7. If the Accounting Officer or delegated person invests with financial institutions, he or she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions - as approved by the Reserve Bank, from time to time.

10. Credit Ratings

Investments may be made only with institutions having minimum credit ratings.

11. Permitted Investments

The Municipality may invest funds only in investment types permitted under Regulation 6 of the Investment Regulations.

12. Call Deposits and Fixed Deposits

12.1. Before making any call or fixed deposits, the Municipality, shall obtain quotations from at least three institutions.

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

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

12.4. The Municipality must also take into consideration the principles of diversification as per 9.3.1 when making an investment decision.

12.5. Any monies paid over to the investing institution in terms of the agreed investment shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the Accounting Officer or delegated person shall ensure that the Municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the Municipality.

13. Restriction on Term of Investments

No investment with a term exceeding twelve months shall be made without the prior approval of the Executive Committee as the case may be.

14. Cession of Investments

The cession of any investment of the Municipality as security shall be subject to the provisions of Section 48 of the MFMA.

15. Supply Chain Management Policy

The Municipality shall comply with its Supply Chain Management Policy to the extent that it is applicable to the implementation of any aspect of this Policy.

16. Control over Investments

16.1. The Chief Financial Officer or delegated person shall ensure that proper records are kept of all investments made by the Municipality and, where necessary, shall be signed off by the Accounting Officer.

16.2. Such records shall include an investment register.

16.3. The investment register and accounting records must be reconciled on a monthly basis.

16.4. Investment documents and certificates must be safeguarded in a fire resistant safe or similar secure alternative, with dual custody.

17. Reports

The Accounting Officer shall ensure that reports are submitted to the Council on a quarterly basis.

18. Banking Arrangements

18.1. The Accounting Officer is responsible for the management of the Municipality's bank and investment accounts, but may delegate this function to the Chief Financial Officer.

18.2. The Accounting Officer and the Chief Financial Officer or additional approved signatories are authorised to sign cheques or approve electronic transfers and any other documentation associated with the management of such accounts.

18.3. The Accounting Officer is authorised to appoint, in consultation with the Chief Financial Officer, two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories may be reported to the Executive Committee.

18.4. All bank accounts and investments must be in the name of the Municipality.

18.5. In determining the number of additional accounts to be maintained, the Accounting Officer, in consultation with the Chief Financial Officer, shall have regard to the likely number of transactions affecting each of the accounts referred to.

18.6. Unless there are compelling reasons to do otherwise, and the Council expressly so directs, all of the Municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the Municipality.

18.7. The selection of the Municipality's Bankers shall be carried out in accordance with the Municipality's Supply Chain Management Policy.

19. Review of Policy

This policy is to be reviewed annually.

20. Responsibility for Implementation

The Accounting Officer shall be responsible for the implementation of this policy, provided that the Accounting Officer shall delegate such powers to the Chief Financial Officer as may be required to enable the Chief Financial Officer to perform such duties as are imposed on him or her in terms of this policy.

21. Commencement

This policy shall come into operation upon adoption by Council.

22. Policy Adoption

This Policy has been considered and approved by the **COUNCIL OF UMZUMBE LOCAL MUNICIPALITY** as follows:

Resolution No:……………….………….

Approval Date:......................................

PROPERTY RATES POLICY

I N D E X

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SECTION A: PREAMBLE

Whereas:

1.1 Section 229 of the Constitution of the Republic of South Africa (Act 108 of 1996) provides that a municipality may impose rates on property;

1.2 The Local Government: Municipal Property Rates Act (Act 6 of 2004) regulates the power of a municipality to impose rates on property;

1.3 In terms of the Municipal Property Rates Act a municipality:

1.3.1 may levy a rate on property in its area; and

1.3.2 must exercise its power to levy a rate on property, subject to:

(a) section 229 and any other applicable provisions of the Constitution;

(b) the provisions of the Municipal Property Rates Act; and

(c) its rates policy;

1.4 The Umzumbe Municipal Council has resolved to levy rates on the market value of all rateable properties within its area of jurisdiction;

1.5 The municipality must, with regard to section 3(1) of the Municipal Property Rates Act, No. 6 of 2004 adopt a rates policy consistent with the provisions of the said Act on the levying of rates in the municipality;

1.6 In terms of section 3(2) of the Municipal Property Rates Act, No. 6 of 2004, a rates policy adopted in terms of subsection (1) must takes effect on the effective date of the first valuation roll prepared by the municipality in terms of the this Act, and must accompany the municipality's budget for the financial year concerned when the budget is tabled in the municipal council in terms of section 16(2) of the Municipal

Finance Management Act, No. 56 of 2003.

1.7 In terms of section 4 of the Local Government: Municipal Systems Act (Act 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter-alia, rates on property; and

1.8 In terms of section 62 of the Local Government: Municipal Finance Management Act (Act 56 of 2003), the Municipal Manager must ensure that the municipality has and implements a rates policy.

DEFINITIONS

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

"agricultural property" means property that is used primarily for agricultural purposes but, without derogating from section 9 of the Act, 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 smallholdings” are properties located outside of a formal township, and the dominant use is that of small scale, yet intensive, commercial farming operation. Smallholdings where limited farming is taking place and where the property’s dominant use is that of a residence or lifestyle property, are not included under this category. As a general rule, the properties are up to 30 hectares in extent, but are not necessarily limited to this extent. They are therefore categorised in terms of Section 8(2) (f) (i) of the Municipal Property Rates Act 6 of 2004

"annually" means once every financial year;

"appeal board" means a valuation appeal board established in terms of section 56;

"assistant municipal valuer" means a person designated as an assistant municipal valuer in terms of section 35(1) or (2);

“Business or Commercial property” means_

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

b) Property on which the administration of the business of private or public entities takes place;

(c) Property used for the provision of commercial accommodation;

(d) Property used for education purposes;

(e) Property used by the State or any organ of State; or

(f) Property excluded from any other category of property, as stated in (a) above.

“Bed and breakfast property” Means a commercial accommodation establishment with less than or equal to 4 bedrooms available to guests.

“Category” means_

(a) In relation to property, means a category of properties determined in terms of section 8 of the Municipal Property Rates Act and

(b) In relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Municipal Property Rates Act.

“Child headed households” Means a household recognized as in terms of section 137 of the Children’s Amendment Act, 41 of 2007.

“Commercial accommodation” Means lodging or board and lodging, together with domestic goods and services, in any house, flat, apartment, room, hotel, motel, inn, guesthouse, bed & breakfast, boarding house, residential establishment, holiday accommodation, student accommodation, unit, chalet, tent, caravan, camping site or similar establishment which is regularly or systematically supplied but excludes a dwelling supplied in terms of an agreement for letting and hiring thereof.

“Communal Property” Means a property where there is a single registered cadastral holding and where the property is held or developed predominately for Rural Residential purposes and which may be used for multiple purposes including agricultural property, state occupied property, residential, rural residential and non-residential property, which, in the case of a property used for multiple purposes, the use will be assigned to a category of property, the value apportioned and rates levied accordingly, as contemplated in section 9 (2) of the Act. The Communal property’s land extent can vary and be adjusted according to deductions or the reinstatement of separate recognized property for rating due to the apportionment of values and adjustment of property.

“**Constitution”** means a body of fundamental principles or established precedents according to which our State is governed and as embodied and promulgated per Act 108 of 1996.

“**Data Collector**” means a person designated as a data-collector in terms of Section 36 of the Municipal Property Rates Act.

“**Date of valuation**” means the date determined by a municipality in terms of section 31(1) of the Municipal Property Rates Act”

“dominant use” In relation to a property means a property used for more than one purpose subject to section 9 (1) (b) of the Act and the following criteria applies -

(a) A dominant use approach may be applied to developed property located within the area of an approved town planning scheme granted in terms of any planning law;

(b) The dominant use is the highest percentage use of all actual uses determined by predominant use and as determined by the Municipal valuer.

(c) The dominant use category of property will then be applied to the levying of rates.

“Effective date”

(a) In relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Municipal Property Rates Act; or

(b) In relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b) of the Municipal Property Rates Act.

“Equitable treatment of ratepayers” Means the fair, just and impartial treatment of all ratepayers.

“Exclusion” in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17 of the Municipal Property Rates Act.

“Exemption” in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Municipality Property Rates Act.

“Financial year” means the period starting from 1 July in a year to 30 June the next year.

“Guest house” Means a commercial accommodation establishment with between 5 and 10 bedrooms available to guests.

“Income Tax” means the Income Tax Act, 1962 (Act No.58 of 1962);

“Indigent Owner” Means an owner of low-cost property at a value determine by the municipality who has permanent occupation of a property and qualifies for indigent relief in terms of the Council’s Indigent policy.

“Industrial Property” means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw material or fabricated parts in respect of which capital and labour are involved, and includes –

(a) The production of raw products on the property;

(b) The storage and warehousing of products; and

(c) Any office or other accommodation on the same property the use of which is incidental to such activity.

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

(a) Acquired the property through-
    (i) The Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993);
    (ii) The Restitution of Land Rights Act, 1994 (Act No.22 of 1994);
(b) Holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or
(c) Hold or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution to be enacted after the Municipal Property Rates Act has taken effect.

"Land tenure right" means a land tenure right as defined in section 1 of the upgrading of Land Tenure Rights Act, 1991 (Act No.112 of 1990) which reads as follows-*"(vii) "land tenure right" means any leasehold, deed of grant, quitrent or any other right to the occupation of land created by or under any law and, in relation to tribal land, includes any right to the occupation of such land under indigenous law or customs of the tribe in question."*

"Local community" in relation to a municipality-
(a) Means a body of persons comprising-
  (i) The residents of the municipality;
  (ii) The ratepayers of the municipality;
  (iii) Any civic organizations and non-governmental, private sector or labour organization or bodies which are involved in local affairs within the municipality; and
  (iv) Visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and
(b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons;

"Market value", in relation to a property, means the value of the property determined in accordance with section 4 of the Municipal Property Rates Act
"mining property" means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002);

"Municipal Council" or Council means a Municipal Council of Umzumbe

"Municipal Finance Management Act" means the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003);
"Municipality" –
(a) As a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
(b) As a geographical area, means a municipal are demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"Municipal manager" means a person appointed in terms of section 82 of the Municipal Structures Act
"Municipal Property Rates Act" means the Local Government: Municipal Property rates Act, 2004 (Act No. 6 of 2004)

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

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

"Municipal Valuer or valuer of a municipality" means a person designated as a municipal valuer in terms of section 3391) of the Municipal Property Rates Act.

"Municipal Valuation" means a valuation of a rateable property within the municipal area by the Municipal valuer in terms of the Act.

"Municipal leases" means property owned by the municipality and leased to another party. The municipality reserves the right to recover municipal rates against all properties registered in the name of the municipality over which a portion or all of its property is leased either through an existing lease agreement where rates are exclusive or through the provisions of the Act. Rates payable will be based on the rates category and market value as contained in the Valuation Roll.

"Municipal properties" means those properties of which the municipality is the owner.

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

(a) A property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
(b) a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified

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

"Organ of state" means an organ of state as defined in section 239 of the Constitution.

"Office bearer" in relation to places of public worship, means the primary person who officiates at service at the place of worship

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

"Owner" –
(a) in relation to a property referred to in paragraph (a) of the definition of "property", means a person in whose name ownership of the property is registered;
(b) in relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name the right is registered;
'(bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1993 (Act No: 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

(bB) in relation to a share in a block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);

(bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;

(c) in relation to a land tenure right referred to in paragraph (c) of the definition of "property" means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

(d) in relation to public service infrastructure referred to in paragraph (d) of the definition of "property", means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled"

(i) provided that a person mentioned below may for the purposes of this policy be regarded by a municipality as the owner of a property in the following cases:

(ii) A trustee, in the case of a property in a trust excluding state trust land;

(iii) An executor or administrator, in the case of a property in a deceased estate;

(iv) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

(v) A judicial manager, in the case of a property in the estate of a person under judicial management;

(vi) A curator, in the case of a property in the estate of a person under curatorship;

(vii)A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

(viii)A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or

(viiii)A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.

"Pensioner" means a person that:

(a) must be 60 years of age;

(b) who is the sole owner of the property, or owner jointly with his/her spouse;

(c) does not own another property within the municipality

"**Permitted use",** in relation to a property, means the limited purposed for which the property may be used in terms of –

(a) any restrictions imposed by-

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

"**Place of Public Worship**" means property which is registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by an office bearer of that community who officiates at services of that place of worship.

"Property" means –

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

(d) Public service infrastructure

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

"Public benefit organization" means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act.

"Public Service Infrastructure" means publicly controlled infrastructure of the

Following kinds:

(a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
(b) Water or sewer pipes, ducts or other conduits, dams and water supply reservoirs, Water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
(c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
(d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
(e) Railway lines forming part of a national railway system;
(f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
(g) Runways or aprons at national or provincial airports;
(h) Breakwater, sea walls, channels, basin, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising light houses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
(i) any other publicly controlled as may be prescribed;
(j) a right registered against immovable property in connection with infrastructure mentioned in paragraphs (a) to (i);

"public services property" in relation to the use of a property, means property owned and used by an organ of state as-
(a) hospitals or clinics;
(b) schools, pre-schools, early childhood development centers or further education and training colleges;
(c) national and provincial libraries and archives;
(d) police stations;
(e) correctional facilities; or
(f) courts of law; but excludes property contemplated in the definition of 'public service infrastructure;"

"Rateable property" means a municipal rate or property on which a municipality may in terms of section 2 of the Municipality Property Rates Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Municipal Property Rates Act

"Rate randage" means a rate levied on rateable properties to determine the amount of rates due to the municipality.

"Ratio", in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: provided that the two relevant cent amounts in the Rand are inclusive of any relied measures that amount to rebates of a general application to all properties within a property category.

"Rebate", in relation to a rate payable on a property, means a discount granted in terms if section 15 of the Municipal Property Rates Act of the amount for which the property was valued and the rating of the property at that lower amount.

"Reduction", in relation to a rate payable on a property, means the lowering in terms of section 15 of the Municipal Property Rates Act of the amount for which the property was valued and the rating of the property at that lower amount.

"Register"

(a) means to record in a register in terms of –
  - (i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or
  - (ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and

(b) includes any other formal act in terms of any other legislation to record-
  - (i) a right to use land for or in connection with mining purposes; or
  - (ii) a land tenure right

"residential property" means a property included in a valuation roll in terms of section 48(2)(b) in respect of which the primary use or permitted use is for residential purposes without derogating from section 9 of the Act;

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

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

"Threshold value" With reference to impermissible rates and Section (17) (1) (h) of the MPRA a municipality may not levy a rate on the first R15, 000 of the market value of a property with a category residential and a Council may increase this value to a higher market value in terms its annual budget and policy review, which is referred to as the threshold value.

SECTION B: ESTABLISHMENT AND IMPLEMENTATION OF RATES POLICY

The Rates Policy took effect from 1 July 2008 being the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property.

Rates Act, 2004 (Act No. 6 of 2004) and must accompany the municipality's budget for the financial year;

1. Legal requirements

This policy is subject to the requirements of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Systems Act, 2000 (Act No. 31 of 2000)

2. Objective

2.1 In developing and adopting this rates policy, the Council has sought to give effect to the sentiments expressed in the preamble of the Municipal Property Rates Act, 2004 namely that;

(a) the Constitution enjoins a local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;

(b) there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;

(c) revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and

(d) it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.

2.2 In applying its rates policy, the Council shall adhere to all the requirements of the Municipal Property Rates Act 2004, including any regulations promulgated in terms of that Act.

3. Background

The Municipality needs a reliable source of revenue to provide basic services and perform its functions.

3.1 Property rates are the most important source of general revenue for the municipality.

3.2 Revenue from property rates is used to fund services that benefits the community as a whole as opposed to individual households.

4. Principles

4.1 Equity

The municipality will treat ratepayers with similar properties the same

4.2. Affordability

4.2.1 The ability of a person to pay rates will be taken into account by the municipality

4.2.2 In dealing with the poor/indigent ratepayers, the municipality will provide relief measures through exemptions, reductions or rebates.

4.2.3 The market values in the new valuation roll will be phased in over the entire period of the valuation cycle.

5. <u>Adoption and contents of rates policy</u>

5.1. The Council must adopt a policy consistent with the Municipal Property Rates Act on the levying of rates on rateable property in the municipality.

5.2. A rates policy adopted in terms of paragraph 5.1 takes effect on the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property Rates Act and must accompany the municipality's budget for the financial year concerned when the budget is tabled in the municipal council in terms of section 16(2) of the Municipal Finance Management Act.

5.3. A rates policy must -

(a) treat persons liable for rates equitably;

(b) determine the criteria to be applied by the municipality if it-

(i) levies different rates for different categories of properties;

(ii) exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;

(iii) grants to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties; or

(iv) increases rates;

(c) determine, or provide criteria for the determination of -

(i) categories of properties for the purpose of levying different rates as contemplated in paragraph (b)(i); and

(ii) categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions as contemplated in paragraph (b)(ii) or (iii);

(d) determine how the municipality's powers in terms of section 9(1) of the Municipal Property Rates Act must be exercised in relation to properties used for multiple purposes;

(e) identify and quantify in terms of cost to the municipality and any benefit to the local community-

(i) exemptions, rebates and reductions;

(ii) exclusions referred to in section 17(1)(a), (e), (g), (h), and (i) of the Municipal Property Rates Act and

(iii) rates on properties that must be phased in in terms of section 21 of the Municipal Property Rates Act;

(f) take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;

(g) take into account the effect of rates on organizations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organizations for those activities.

(h) take into account the effect of rates on public service infrastructure;

(i) allow the municipality to promote local, social and economic development; and

(i) identify on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of section 7(2)(a) of the Municipal Property Rates Act.

5.4. When considering the criteria to be applied in respect of any exemptions, rebates and reductions on properties used for agricultural purposes, a municipality must take into account-

(a) the extent of services provided by the municipality in respect of such properties.

(b) the contribution of agriculture to the local economy

(c) the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality; and

(d) the contribution of agriculture to the social and economic welfare of farm workers.

5.5. Any exemptions, rebates or reductions referred to in paragraph 5.3 and provided for in the rates policy adopted by the Council must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government.

5.6. No municipality may grant relief in respect of the payment of a rate –

(a) to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its rates policy and granted in terms of section 15 of the Municipal Property Rates Act.

(b) to the owners of properties on an individual basis.

6. <u>Community participation</u>

6.1. Before the Council of Umzumbe adopts the rates policy, the Council must –

(a) follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act; and

(b) comply with Sections 4 and 5 of the Act

6.2. The municipal manager must –

6.2.1 Conspicuously display the draft rates policy for a period of at least 30 days

(a) at the municipality's head and satellite offices and libraries; and

(b) on the municipality's official website,

6.2.2 advertise in the media a notice –
  (a) stating –
    (i) that a draft rates policy has been prepared for submission to the council; and
    (ii) that the draft rates policy is available at the municipality's head and satellite offices and libraries for public inspection during office hours and, on the municipality's official website; and
  (b) inviting the local community to submit comments and representations to the municipality within a period specified in the notice which may not be less than 30 days.

7. Annual review of rates policy

(a) The council of Umzumbe must annually review, and if necessary, amend, its rates policy. Any amendments to a rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of section 16(2) of the Municipal Finance Management Act.

(b) Section 3(3) to (6) of the Municipal Property Rates Act read with the necessary changes as the context may require, apply to any amendment of a rates policy. Community participation in amendments to a rates policy must be effected through the municipality's annual budget process in terms of sections 22 and 23 of the municipal Finance Management Act.

8. Bylaws to give effect to rates policy

(a) The Council of Umzumbe must adopt by-laws to give effect to the implementation of its rates policy.

(b) By-laws in terms of paragraph 8(a) may differentiate between-
  (i) different categories of properties; and
  (iii) different categories of owners of properties liable for the payment of rates

SECTION C: CATEGORIES OF PROPERTIES

9. Criteria for categories of property for the purpose of levying different rates.

9.1 The municipality has determined categories of properties based on the following criteria:

9.1.1 Use of property

The following are the determined categories of properties by the Municipality:

(I) Communal Properties (Land & Property associations)
(II) Residential Properties

(III) Business/Commercial Properties

(IV) Place of worship

(V) Agricultural (Use Small holding)

(VI) Industrial Properties & Mining Properties

(VII) Public Service Infrastructure & Public Service Property

(VIII) Public Benefits Organizations

(IX) Agricultural properties used for agricultural purposes

(X) Agricultural properties used for eco-tourism or conservation

(XI) Agricultural properties used for the trading in hunting of game

(XII) State-owned properties:

- State properties that provide local services.
- State properties that provide regional/municipal district-wide/metro wide service.
- State properties that provide provincial/national service.
- Municipal use properties.
- Protected area.

(XIII) Vacant land

10. <u>Criteria for rating multiple use property</u>

The following criterion is proposed by the municipality:

10.1 By apportioning the market value of a property to the different purposes for Which the property is used;

10.2 Applying the relevant cent amount in the Rand to the corresponding Apportioned market value.

The municipality has an option of not creating a "multiple use property" category, but to classify all multiple use properties within its jurisdiction in terms of section 9 (1) (a) of the Act, or to classify these properties in terms of section 9 (1) (b) of the Act.

SECTION D:<u>DIFFERENTIAL RATING</u>

11. <u>Criteria for differential rating on different categories of property</u>

The following has been taken into consideration for the purpose of differential rating:

11.1 The nature of the property including its sensitivity to rating, e.g. agricultural Purposes;

11.2 Promotion of social and economic development of a municipality;

11.3 Differential rating the various property categories will be done by way of setting different Cent amount in the rand for each property category rather than by way of reductions and rebates.

SECTION E: <u>RELIEF MEASURES RELATED TO CATEGORIES OF PROPERTIES AND CATEGORIES OF OWNERS OF PROPERTIES</u>

12. <u>Criteria for exemptions, rebates and reduction</u>

The following will be taken into consideration for the purpose of granting exemptions, rebates and reductions:

12.1 indigent status of the owner of a property;

12.2 sources if income of the owner of a property;

12.3 market value of communal property below a determined threshold;

12.4 social and economic conditions of the area where the owner of the property is located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of the Disaster Management Act, 2002, to the extent that it is significantly negativity affected.

12.5 The communal properties, built on the land owned by Ingonyama Trust Board.

Granting of exemptions, rebates and reductions

In order to alleviate the rates burden on the poor, the following exemptions and rebates are proposed:

13.1 Exemptions

13.1.1 All communal properties, whereby the owner does not own the land, but is owned by Ingonyama Trust Board (i.e owned by Amakhosi or Tribal Authorities) irrespective of the size;

13.1.2 Indigent owners (i.e. in accordance with the indigent policy and register of the municipality);

13.1.3 Owners dependant on pensions or social grant for their livelihood;

13.1.4 All subsistence farmers

13.2 Rebates

Upon levying the rate in respect of any property, the council shall grant the following rebates to the categories of properties and categories of owners indicated below, however, the council reserves the right to amend these rebates if circumstances so dictate.

Any exemptions, rebates or reductions granted and provided for in this policy shall comply and be implemented in accordance with the national framework that may be prescribed after consultation with organized local government.

The municipal shall not grant relief in respect of payment of rates to:-

- A category of owners of properties or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as provided for in its rates policy in compliance with the provisions of Section 15 of the Municipal Property Rates Act, 2004.
- The owners of properties on an individual basis.

In determining whether a property forms part of a particular category as indicated below, the municipality shall have regard to the actual use of the property in question. In case of vacant land, the permitted use of the property shall determine which category it falls under. The property together with the relevant rating shall be categorized as follows:

CATEGORY OF PROPERTY	REBATE
Communal Property	
• Communal property, whereby the owner does not own the Land 'but is owned by Ingonyama Trust Board (i.e. Amakhosi Or Tribal Authorities)	0%
• Communal properties where the residential component Represents 100% of the property's actual use and the owners Have title deeds	30%
• Communal properties used for multiple purposes, which has title 'deeds	0%
Industrial Property	
• Industrial Properties	0%
Business and Commercial Properties	
• Business and commercial properties	0%
Farm Property (excluding subsistence farmers as they are all exempted)	
• Communal component	30%
• Business and commercial component	0%
• Agricultural component	30%
• No particular usage	0%
State-owned Property	
• Communal	30%
• Public service infrastructure	30%
• Other	0%
uMzumbe Municipality owned property	
• Communal	100%
• Public service infrastructure	100%

- Other (including properties owned by municipal entities) 100%

State Trust Land

- State trust land 0%
- Other trust land 100%

Protected Areas

- Protected Areas 100%

National Monuments

- Properties on which national monuments are situated and where No business or commercial activities are conducted in respect of Such monuments; 100%

- Properties on which national monuments are situated but where Business or commercial activities are conducted in respect of Such monuments. 100%

Public Benefit Organizations

- Properties owned by public benefit organizations and used to further the objectives of such organizations 100%

The Municipality will **NOT** grant relief in respect of the payment of a rate:

- to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction as provided for in this policy and granted in terms of section 15 of the Act; or
- to the owners of properties on an individual basis.

13.3 Effect of rates on Public Benefit Organizations.

Taking into account the effects of rates on Public Benefit Organizations performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, it is proposed that Public Benefit Organizations (POBs) performing the following specified public benefits activities be exempted from rating:

13.3.1 Welfare and humanitarian, e.g. POBs providing disaster relief;

13.3.2 Health Care, for example, POBs providing counselling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependants in this regard.

13.3.2 Education and development, for example, POBs providing early childhood for pre-school children.

13. Effect of rates on Public Service Infrastructure

It is proposed that all components of Public Service Infrastructure be exempted from payments of rates in respect of the first 30% of the market value of the public service infrastructure as they provide essential services to the community.

14. Other exemptions

- On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship in terms of section 17 (1) (i) of the Act. The exemption is applicable also on a property registered in the name of and used primarily as a place of public worship by religious communities that do not erect buildings.

15. Phasing in of certain rates

A rate levied on a newly rateable property shall be phased in over a period of three financial years. Similarly, a rate levied on a property owned by a land reform beneficiary shall, after the exclusion period has elapsed, be phased in over a period of three financial years.

A rate levied on a newly rateable property owned and used by organizations conducting specified public benefit activities shall be phased in over a period of four financial years.

The phasing is discount on a property shall:

- In the first year, be at least 75% of the rate for that year otherwise applicable to that property;
- In the second year, be at least 50% of the rate for that year otherwise applicable to that property, and
- In the third year. Is at least 25% of the rate for that year otherwise applicable to that property.

No rate shall be levied during the first year on newly rateable property owned and used by organizations conducting specified public benefit activities. Thereafter, the phasing in discount shall apply as for other newly rateable expect that the75% discount shall apply to the second year, the 50% to the third year and the 25% to the fourth year.

The rate levied on newly rateable property shall not be higher than the rate levied on similar property or categories of property in the municipality.

This is only applicable to the initial general valuation roll (as of 1 July 2009). Any new properties after the 1st of July 2009 may be phased as determined by council.

16. <u>Rate Randage</u>

The rate randage will be reviewed on an annual basis taking into consideration applicable prescripts and factors of affordability and sustainably towards providing realistic approach towards recovery of debt.

17. <u>Special rating areas</u>

The municipality may, by resolution of its council, determine an area within that municipality as a special rating area and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area and differentiate between categories of properties when levying such additional rate.

The levying of an additional rate may not be used to reinforce existing inequities in the development of the municipality and any determination of a special rating area must be consistent with the objectives of the municipality's.

18. <u>Payments of rates on property in Sectional Title Schemes</u>

The rate levied by the municipality on a sectional title unit is payable by the owner of the unit.

The municipality shall not recover the rate on such sectional title unit or any part of such rate from the body corporate controlling the sectional title scheme, expect when the body corporate itself is the owner of any specific sectional title unit.

19. <u>Method and time of payment</u>

The municipality shall recover the rate either on a monthly basis or annually as determined by the municipality.

Whether the rate is payable in a single annual amount or in instalments, it shall be paid on or before the date determined by the municipality.

The municipality will consider each and every application for deferral of rates, taking into account the merits and demerits of each the financial implications thereof in so far as the cash flow of the municipality is concerned.

The following special circumstances qualify persons to apply for deferral of payment of rates in terms of Section 26(3) of the Municipal Property Rates Act:

- Property owners who are over sixty(60) years of age;
- Property owners who are not over sixty years of age but have retired from employment by reason of illness or disability certified by a medical practitioner and are in necessitous circumstances.

Such deferral may be for whole or any portion of such rates, provided that the total amount of all rates so deferred, together with accumulated interest thereon, shall not at any time exceed fifty (50%) of the value of the property concerned, as shown on the valuation roll.

20. Accounts to be furnished

The municipality shall furnish each person liable for the payment of rates with a written account specifying:

- The amount due for rates payable;
- The date on or before which the amount is payable;
- How the amount was calculated;
- The market value of the property;
- If the property is subjected to any compulsory phasing-in discount in terms of Section 17, the amount is discount; and
- If the property is subject to any additional rate in terms of Section 18, the amount due for additional rates.

The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary inquiries from the municipality.

21. Recovery of rates in arrears from tenants and occupiers

If an amount due for rates levied in respect of a property is unpaid by the owner or the property after the date determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant or occupier of the property despite any contractual obligation to the contrary on the tenant or occupier.

The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable but not yet paid by such tenant or occupier to the owner of the property.

22. Recovery of Rates from agents

The municipality may recover the amount due for the rates on a property in whole or in part from the agent of the owner whenever this is convenient for the municipality but only after the municipality has served a written notice to the agent in this regard.

The amount that the municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner less any commission due to the agent.

23. General Valuation and preparation of valuation rolls

When the municipality intends to levy a rate it shall cause a general valuation to be made of all properties in the municipality and shall prepare a valuation roll of all properties in terms of such valuation.

All rateable properties in the municipal area shall be valued during such general valuation, including properties fully or partially excluded from rates in terms of Section 17 of the present Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by the municipal entity, on rights in properties or on properties in respect of which or is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racial discrimination, the municipality is not obliged to value such properties as part of the valuation process.

The municipality may also apply to the minister for exemption from the obligation to value properties excluded from rates in terms of Section 17 if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.

Properties which have not been valued because of any of the foregoing considerations shall, nevertheless be included in the valuation roll.

24. General Basis of Valuation

The market value of a property is the amount the property would have realized if sold on the date of the valuation in the open market by a willing buyer.

In determining to the market value of a property, the following shall be considered for purposes of valuing the property:-

- The value of any licence or permission or other privilege granted in terms of legislation in relation to the property;
- The value of any immovable improvement on the property that was erected or is being used for the purpose which is inconsistent with or in contravention of the permitted use of the property as if the improvement was erected or is being used for a lawful purpose; and
- The value of the property for a purpose which is inconsistent with or in contravention of the permitted use of the property as if the property is being used for a lawful purpose.

In determining the market value of a property, the following must be disregarded for the purpose of valuating the property:-

- The value of any building or other immovable structure under the surface of the property which is the subject matter of any mining authorization or mining rights defined in the Minerals Act, 1991;
- The value of any equipment or machinery which, in relation to the property concerned, is immovable property, excluding-
  - A lift
  - An escalator
  - An air conditioning plant
  - Fire extinguishers
  - A water pump installation for a swimming pool or for irrigations on domestic purposes; and
  - Any other equipment or machinery that may be prescribed;

- Any unregistered lease in respect of the property.

In determining the market value of a property used for agricultural purposes, the value of any annual of crops or growing timber on the property that have not yet been harvested as at the date of valuation must be disregarded for purposes of valuing the property.

Where the available market-related data is insufficient to determine the market value of public service infrastructure, such public service infrastructure may be valued in accordance with any other method of valuation as may be prescribed.

The above is subject to confirmation by the municipal value.

25. Data valuation

For purposes of a general valuation, the municipal shall determine a date that may not be more than twelve months before the start of the financial year in which the valuation roll is to be first implemented.

The general valuation must reflect the market values of properties in accordance with market conditions with apply as at the date of the valuation and in accordance with any other applicable provisions of the present Act.

26. Valuation of property in Sectional Title Schemes

When valuing a property which is subject to sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme.

27. Right of Appeal

An appeal to the Appeal Board against a decision of the municipal valuer in terms of the Act may be lodged with the municipal manager.

28. Updating of valuation rolls

The municipality shall regularly, but at least, once a year, update its valuation roll by causing –

- A supplementary valuation roll to be prepared in terms of Section 78 of the Municipal Property Rates Act; or

- The valuation roll is to be amended in terms of Section 79 of the Municipal Property Rates Act.

29. Register of Properties

The municipality shall draw up and maintain a register in respect of properties situated within that municipality, consisting of Part A and Part B.

Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls prepared in terms of Section 78 of the Municipal Property Rates Act.

Part B of the register must specify which properties are subject to:-

- An exemption;
- A rebate on or reduction in the rate;
- A phasing-in of the rate;
- Exclusion referred to in section 17.

30. Rates Clearance Certificates

The policy shall apply to this issue of a municipal clearance certificate for the purpose of effecting transfer of a property to a new owner subject to paying for a rates clearance certificate in terms of applicable tariffs.

31. Assessments

An application shall be made in the prescribed format providing the following information in respect of the property in question-

- Present owner of the property
- Property description
- Physical address
- Rates account number

Preferably copy of the account must accompany the application. If the relevant information is not provided, the application will be returned to the conveyancer.

Every effort will be made to issue an assessment within seven (7) days of receipt of the application. However, certain delays may be experienced.

Conveyancers shall be notified of possible delays.

- **Assessment fee**

  The tariff fee shall be R200.00 and be reviewed annually.

32. Period of validity

The assessment shall remain valid for a period of one (1) month. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.

The onus rests with the seller to ensure:-

- The premises in question are being utilized in accordance with its zoning;
- That all outstanding debt accruing to Council I respect of the property is fully paid.

Any discrepancies in respect of the above may result in delays with the issuing of a clearance certificate and, in addition, may result in the levying of additional backdated rates and/or penalties.

33. Clearance Certificates

- Every effort will be made to issue a municipal clearance certificate within seven (7) days of receiving payment;
- Only in exceptional circumstances, which must be fully motivated, will an unconditional guarantee be accepted in lieu of payment;
- The guarantee must:-
  - Issue by recognised bank;
  - Unconditional;
  - For the full amount outstanding;
  - For a specified period of time acceptable to Council.

An attorney trust cheque may also be accepted in lieu of cash payment.

The shall be no refunds on cancellation of the sale

34. Cost to municipalities due to exemption, rebates, reductions, exclusions, phasing in and the benefit thereof to the municipalities.

To cost to the municipality of having granted the relief measures (exemptions, rebates and reductions) short of qualifying such costs in Rand and Cent shall be listed accordingly.

The following will be the benefit of granting relief measures to the municipality:

- Promote local economic development including attracting business investment, for example, small business establishment.
- Creation of employment for municipal residents.
- Promotion of service delivery, for example, by farmers.
- Poverty alleviation to the indigents.
- Social development and moral development, for example, by religious institutions, sports institutions, schools and other non-governmental. organizations which promote health and other benefit to the community.
- Improved local economic growth.

SECTION F: RATES INCREASES/DECREASES

35. Criteria for increasing or decreasing of rates

It is proposed that the following be taken into account for the purpose of increasing/decreasing rates:

- Priorities of a municipality reflected in its Integrated Development Plan;
- The revenue needs of the municipality;
- A need for management of rates shocks;
- Affordability of rates to ratepayers.

SECTION G: LIABILITY FOR RATES

36. Liability for rates by property owners

(a) Property rates by property owners

In a case of agricultural property owned by more than one owner in undivided shares where the holding of such undivided shares was allowed before the commencement of the subdivision of the Agricultural Land Act, 1970, the municipality will treat the owner of such property for the purpose of liability for rates in the following manner:

The municipality has considered the following three scenarios:

Scenario 1

If the joint property owners are all available and are traceable, the issue of who is liable for rates will be dealt with in the context of whether they have entered into an agreement or not regarding payment of rates liabilities.

Where joint owners of agricultural property have an agreement among themselves that a specific joint owner is liable for all rates levied in respect of that agricultural property, a municipality will hold such a joint owner liable for all rate levied in respect of the agricultural property. Such an agreement must be in writing and signed by all affected parties, and a certified copy thereof must be submitted to the municipality.

Where joint owners of the agricultural property have an agreement among them themselves that each joint owner is liable for that portion of rates on that property that represent that joint owner's divided share in the agricultural property, a municipality will hold each joint owner liable for that portion of rates levied on the agricultural property. Such agreement must be in writing and signed by all affected parties, and a certified copy thereof must be submitted to the municipality.

Where joint owners of the agricultural property have not informed the municipality in writing as to who is liable for rates regarding agricultural property, the municipality will apply either 24 (2) (b) or (ii) of the Act.

Scenario 2

If the joint property owners are not traceable with the exception of one joint owner as such joint owner is occupying or using the entire property or a significant larger portion of the entire property (e.g. 80%), the municipality will hold that joint owner liable for the total rates bill for that entire property.

Scenario 3

If the joint property owners are not traceable with the exception of one joint owner and such joint owner is occupying or using a small portion of the entire property, the municipality will hold that joint owner liable for that portion of rates levied on the entire property that represents that joint owner's undivided share in that property.

37. Interest

In accordance with the Budget Policy, when considering the annual budget, the council shall consider the impact, the charging of interest on overdue accounts will have on the monthly municipal accounts of households in the municipal area. Taking into consideration the area dynamics, realistic recovery and incentives to recover debt, Council is of the view that no interest on arrear accounts will be levied until such time recovery is sufficient and adequate.

38. Liability

Should the total amount of rates deferred together with interest thereon exceed fifty (50%) percent of the value of the property as shown on the valuation roll, any excess shall become due and payable and shall be deemed to be rates due.

39. Termination

Any deferral granted shall terminate:

- Upon death of the registered owner, provided that the council may continue such deferral where it is established that the property concerned has been inherited by the surviving spouse and that such spouse is continuing in occupation of the property;
- Upon expropriation, sale or other disposal of the property;
- Upon the owner ceasing to reside permanently on the property

- If the owner fails to pay by due date to pay rates or any part thereof owing in respect of the property, after deferral has been duly allowed;
- Upon expiry of the period of deferral.
-

40. Application for deferral

Should an applicant wish to apply for a rebate/deferral of rates, he/she may apply before the 1st December of the particular year.

41. Frequency of valuations

The municipality shall atleast prepare a new valuation roll for a period not exceeding five (5) years and supplementary valuation rolls every year.

42. Promulgation of resolutions levying rates

A rate shall be levied by the municipality by resolution passed by council with a supporting vote of the majority of its members.

The resolution levying rates, once promulgated, shall be published in the *Provincial Gazette*.

Whenever the municipality passes a resolution to levy rates, the municipal manager shall, without delay, conspicuously display the resolution for a period of at least thirty (30) days at the municipality's head and satellite offices and libraries and, if the municipality has an official website or a website available to it, on that website as well, and advertise the media a notice stating that the resolution levying the property rates has been passed by council and that the resolution is available at the municipality's head and satellite offices.

43. Exemptions, reductions and rebates

The municipality may:

- Exempt a specific category of owners of properties or the owners of a specific category of properties from payment of the rate levied on their property; or
- Grant to a specific category of owners or to owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

In terms of Section 8 of the Municipal Property Rates Act, 2004, exemptions, reductions or rebates are determined per Council resolution in respect of owners of properties in the following categories:-

- Indigent owners;
- Owners dependant on pensions or social grants for their livelihood;
- Owners of property situated within an area affected by disaster or any other serious adverse social or economic conditions;

- Owners of residential properties with a market value lower than the amount determined by the municipality.

The municipal manager shall, annually, table before council:

- A list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
- A statement reflecting the income which the municipality has foregone during the previous financial year by way of such exemptions, reductions, rebates and exclusions referred to in the Act and the phasing-in discount granted in terms of Section 21'

All exemptions, reducing and rebates projected for the financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

44. Amount due for rates

A rate (Cent amount in a Rand) will be reflected in the budget.

45. Annual review of rates policy

The municipality shall annually review, and if necessary, amend its rates policy taking into account public comments and inputs.

46. The effective dates of the rates policy

The rates policy takes effect from the start of the municipal financial year.

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20 Annexure : Fixed asset lives
21 Annexure: Paraphrase of section 14 of the MFMA 2003

1 Key definitions

"Accounting Officer"-
Means the Municipal Manager;

"Asset"
Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

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

"Carrying Amount"
The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

"Chief Financial Officer"
Means a person designated in terms of section 80(2) (a) of the MFMA;

"Cost"
The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition 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

"Councillor"
Means a member of a municipal council;

"Current year"
Means the financial year, which has already commenced, but not yet ended;

"Depreciable amount"
The cost of an asset, or other amount substituted for cost, less its residual value.

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

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

"Financial year"
Means a twelve months period commencing on 1 July and ending on 30 June each year

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

" GRAP 17"
The accounting standards applicable to municipalities
GRAP – Generally Recognised Accounting Practice

"Heritage assets"
Some assets are described as "heritage assets" because of their cultural, environmental or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art.

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

"Infrastructure assets"

These assets usually display some or all of the following characteristics:
a) They are part of a system or network,
b) They are specialised in nature and do not have alternative uses,
c) They are immovable, and
d) They may be subject to constraints on disposal.

Examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks.

"Inventory"
Are assets:
a) In the form of materials or supplies to be consumed in the production process,
b) In the form of materials or supplies to be consumed or distributed in the rendering of services,
c) Held for sale or distribution in the ordinary course of operations, or
d) In the process of production for sale or distribution

"Investment"
In relation to funds of a municipality, means-
a) The placing on deposit of funds of a municipality with a financial institution; or
b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"Investment properties"

Property (land or a building or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

"Local community"
Has the meaning assigned to it in section 1 of the Municipal Systems Act;

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

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

"Long-term debt"
Means debt repayable over a period exceeding one year;

"Municipal council" or **"Council"**
Means the council of a municipality referred to in section 18 of the Municipal Structures Act; (refer to the MSA for definition);

"Municipality"-
a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
b) When referred to as a geographic area, means a municipal area determined terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"MFMA"
The Local Government: Municipal Finance Management Act (No. 56 of 2003)

"Municipal Manager" "MM"
Means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

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

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

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

“Property Plant and Equipment”
Are tangible assets that:
a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
b) Are expected to be used during more than one reporting period.

“PT”, “Provincial Treasury”
Means the Provincial Treasury branch established by section 5 of the Public
Finance Management Act;

"Quarter"
Means any of the following periods in a financial year:
a) 1 July to 30 September;
b) 1 October to 31 December;
c) 1 January to 31 March; or
d) 1 April to 30 June;

“Recoverable amount”
The higher of a cash-generating asset’s net selling price and its value in use.

“Residual value”
The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

“Useful life”
a) The period over which an asset is expected to be available for use by an entity, or
b) The number of production or similar units expected to be obtained from the asset by an entity.

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

2 Statutory and regulatory framework and Roles

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- The Municipal Structures Act, 1998
- The Municipal Systems Act, 2000 as amended
- The Division of Revenue Act (enacted annual)
- The Municipal Finance Management Act, 2003

This policy must comply with the standards specified by the Accounting Standards Board. The current relevant recognized accounting standards include:

- GRAP 17 Property Plant and Equipment
- GRAP 12 Inventories

This policy will be updated annually or whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of property, plant and equipment.

This policy should be read in conjunction with all applicable policies including the Supply Chain Management Policy. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

3 ROLE OF MUNICIPAL MANAGER

As the accounting officer of Umzumbe Municipality ("the Municipality"), the Municipal Manager shall be the principal custodian of all the Municipality's fixed assets, and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

4 ROLE OF CHIEF FINANCIAL OFFICER

The Chief Financial Officer (“CFO”) shall be the fixed asset registrar of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

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

5 Asset Management Policy Summary

Objectives	Key principles to be achieved
The objectives of this policy are to ensure that assets are managed and accounted for by: • Accurate recording of fixed assets and related transactions • Compliance with municipal legislation and accounting standards • Compliance with accounting policies and standards • Providing management information on fixed assets • To ensure Asset Controllers are aware of their responsibilities in regards to assets. • To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation. • To specify the process required before expenditure on assets. • To prescribe the accounting treatment for assets including: - The criteria to be met before expenditure can be capitalised as an asset, - The criteria for determining the initial cost of the different assets - The method of calculating depreciation for different assets, - The criteria for capitalising subsequent expenditure on assets, - The policy for scrapping and disposal of assets, - The classification of assets.	• Safekeeping of assets • Accurate, complete recording of all the municipality's fixed assets • Each departmental manager is responsible for the fixed assets in their department • Asset register must balance to the financial statements • Fixed assets must be properly maintained and insured • The fixed assets register and annual financial statements must comply with the applicable accounting standards and legislation applicable at the time

Key performance areas (strategic intent)
• Classification of fixed assets

- Safekeeping and identification of fixed assets
- Format of fixed assets register
- Acquisition and replacement
- Capitalisation criteria
- General planned & deferred Maintenance
- Depreciation of fixed assets
- Amendment of asset lives and diminution in value of fixed assets
- Creation of non-distributable reserves
- Re-valuation of fixed assets
- Insurance, loss, damage, theft
- Disposal and retirement from use

6 Classification of fixed assets

6.1 Objectives

To ensure that fixed assets meeting certain criteria and characteristics are grouped and classified together according to regulated guidelines and standards.

6.2 Property, plant and equipment

The Chief Financial Officer shall insure that all fixed assets are classified as follows in the Annual Financial Statements and fixed assets register:

- Land and buildings
- Infrastructure assets
- Community assets
- Heritage assets
- Investment property
- Other assets

6.3 Investment property

These are investment assets held as resources for capital or operational gain

6.3.1 Accounting and recording

- Investment Property assets will be accounted for in terms of GRAP 16 and initially recorded at cost including transaction cost. Following initial recognition the investment property will be recognized at fair value reflecting the market conditions at the reporting date. An expert valuer may be engaged by the municipality to undertake such valuations.
- Transfer to and from investment property will be in accordance with GRAP 12 Inventories or GRAP 17 Property Plant and Equipment whichever is appropriate.
- If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property will be accounted for as property, plant and equipment until it is ready for its intended use and reclassified as an investment property.

6.3.2 Depreciation

- Investment assets shall not be depreciated, but shall be valued on balance sheet date to determine their fair (market) value
- Investment assets shall be recorded in the statement of position at such fair value

6.3.3 Valuation

- Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned
- An expert valuer shall be engaged by the municipality to undertake such valuations
- Where the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment asset

6.4 Inventory

6.4.1 Housing Stock

This is rental or housing stock which is not held for capital gain

- This includes:

  - Land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business
  - 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
- These assets 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

6.4.2 Recording

- These Inventory assets will be recorded in a separate section of the asset register and maintained as required
- Inventories shall be measured at the lower of cost and net realizable value
- The cost of inventories shall comprise all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition
- Any land or buildings owned or acquired by the municipality with the intention of selling the property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing the property for the purpose of selling it in the ordinary course of business, will be accounted for as inventory
- Where the municipality owns undeveloped land, usually this will be classified as property, plant and equipment. Where there is an intention to develop such land and to sell or transfer or contract it to a third party it should be classified as inventory rather than property, plant and equipment
- The purchase of land or buildings for resale should be classified as inventory if the land or buildings is held for short-term sale in the ordinary course of operations

6.5 Heritage assets

6.5.1 Fixed assets register

If no original costs or fair values are available in the case of heritage assets, the Asset Manager should record such asset or assets in the fixed asset register at a value as determined in terms of the guidance and accounting standards for heritage assets.

6.5.2 Annual financial statements

For purposes of compiling the statement of position, the existence of such heritage assets shall be disclosed by means of an appropriate note in the Annual Financial Statements.

6.5.3 Componentisation of major portions of assets

- An Asset Controller may, with agreement of the Asset Manager, treat specified major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- These major components may be defined by its physical parameters (e.g. a reservoir roof) of its financial parameters (e.g. a road surface).
- In agreeing to these treatments the Asset Manager must be satisfied that these components:
  - Have significantly a different useful life or usage pattern to the main asset,
  - Align with the asset management plans,
  - The benefits justify the costs of separate identification,
  - It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
  - The cost of the asset to the municipality can be measured reliably,
  - The municipality has gained control over the asset,
  - The costs is above the recognition threshold, and
  - The asset is expected to be used during more than one financial year.

- All such decisions and agreements will be confirmed before the beginning of the financial year and submitted for approval with the budget. Any amendments will only be permitted as part of a budget review.
- Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.
- All other replacements, renewals of refurbishments of components will be expensed.

6.6 Accounting for Property, Plant and Equipment

6.6.1 Recognition of property, plant and equipment

- An item of property, plant and equipment will be recognized as an asset when:
  - It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
  - The cost of the asset to the municipality can be measured reliably,
  - The municipality has gained control over the asset,
  - Irrespective of the cost, if the asset meets the recognition criteria it should be recognised as an asset
  - The asset is expected to be used during more than one financial year.
- All other acquisitions of property, plant and equipment that do not meet the recognition criteria will be expensed.

6.6.2 Initial measurement

- An item of property, plant and equipment that qualifies for recognition as a non-current asset should be initially measured at its "cost of acquisition".
- This "cost of acquisition" will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs usually include the following:
  - Purchase costs (less any discounts given)
  - Delivery costs
  - Installation costs
  - Professional fees for architects and engineers
  - Import duties
  - Non-refundable taxes
  - Site development costs
  - Contractor fees

6.6.3 Donations or exchanges

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

6.6.4 Carrying amount on property plant and equipment

Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation, subject to the requirement to write an asset down to its recoverable amount or any subsequent revaluation.

7 Safekeeping, identification and movement of fixed assets

7.1 Objectives

To prevent the loss, damage or theft from the misappropriation or misuse of fixed assets owned by the municipality.

7.2 Safekeeping

Each departmental head shall:

- Be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question
- Take the necessary steps to ensure the safekeeping of fixed assets under their control
- Adhere to any written directives issued by the Chief Financial Officer in regard to the control of or safekeeping of the municipality's fixed assets

7.3 Identification

- The Chief Financial Officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its fixed asset register
- The identification system shall be determined by the Chief Financial Officer:
- Acting in consultation with the municipal manager and other departmental heads
- Comply with any legal prescriptions
- Be decided upon within the context of the municipality's budgetary and human resources available
- Every departmental head shall ensure that the asset identification system approved for the municipality is properly applied in respect of all fixed assets controlled or used in their department

7.4 Transfers to another Asset Controller

7.4.1 Permanent transfers to another Asset Controller

- An Asset Controller retains managerial accountability and control for a particular asset unless;
  - Another Senior manager agrees in writing to accept responsibility for that asset, and
  - The Asset Manager endorses the transfer.
- The Finance Department appropriately amends the Financial Asset register for all approved transfers.
- The new Asset Controller assumes all the accountabilities of the previous Asset Controller.

7.4.2 Relocation or Reassignment of Property, Plant or Equipment

- The Asset Controller must ensure that the asset is appropriately safeguarded for loss, damage or misuse wherever it is located. Safeguarding includes ensuring reasonable physical restrictions and delegated management is implemented.
- The Asset Controller must advise the Asset Manager whenever an asset is permanently relocated or reassigned from the location (or base) or cost centre recorded in the Financial Asset Register.
- The Asset Controller must advise the Asset Manager whenever an asset is temporarily relocated or reassigned from the location (or base) or cost centre recorded in the Financial Asset Register. It this case, the Asset Controller must also advise the Asset Manager when this asset is returned.

7.4.3 Verification

- Every departmental head shall undertake a comprehensive verification of all fixed assets under their control:
  - At least once during June of every financial year
  - In compliance with the relevant written directives issued by the Asset Manager

- Report in writing to the Asset Manager in the format determined by the Chief Financial Officer, all relevant results of such fixed asset verification not later than 30 June

8 Fixed assets register

8.1 Objective

To ensure that all of the municipality's fixed assets are recorded in such a way to enable adequate management and accounting for fixed assets

8.1.1 Establishment and Management of the Financial Asset Register

- The Asset Manager will establish and maintain the Asset Register containing key financial data on each asset that satisfies the criterion for recognition.
- Asset Controllers are responsible for establishing and maintaining any additional register or database required to demonstrate their physically management of their assets.
- Each Asset Controller is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition all assets in their registers.

8.1.2 Format of the fixed assets register

The fixed assets register should contain the following for each item of property, plant and equipment:

- Acquisition dates
- Clear descriptions of individual items
- Location
- Department / service that controls the asset
- A unique asset identification number
- The original cost / fair value
- Depreciation charge and accumulated depreciation
- Carrying amount
- Method and rate of depreciation
- Impairment losses incurred during the year
- Source of financing
- Insurance arrangements
- Disposal date and price
- Date retired form use
- Re-valued amounts

8.2 Provision of information for the fixed asset register

Each departmental head under whose control any fixed asset falls shall:

- Promptly provide the Asset Manager in writing with any information required to compile the fixed asset register
- Promptly advise the Asset Manager in writing of any material change which may occur in respect of such information

8.3 Recording on the register

- A fixed asset shall recorded in the fixed assets register, as soon as it is acquired
- Where 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 a fixed asset
- A fixed asset shall remain in the fixed assets register for as long as it is in physical existence

8.4 Carrying value

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

- The only exceptions to this rule shall be re-valued assets and heritage assets in respect of which no value is recorded in the fixed asset register

8.4.1 Internal Controls over the Financial Asset Registers

- Controls around these asset registers should be sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the Chief Financial Officer and required by the Auditor-General.
- These controls will include physical management and recording of all acquisitions, assignments, transfers, losses and disposals of their assigned assets as well as regular stock-takes and systems audits to confirm the adequacy of their controls.

9 Acquisition and replacement of fixed assets

9.1 Objectives

- To ensure fair, transparent and equitable acquisition of fixed assets in terms of the supply chain management policy, capital budget and IDP priorities
- To ensure that fixed assets are replaced when they have exhausted there effective service potential

9.2 Acquisition of fixed assets

- The Asset Manager will develop and provide a form to be completed by departmental heads for new acquisitions
- Each departmental head will promptly inform the Asset Manager of new fixed assets taken into use in the format requested by the Chief Financial Officer

9.3 Physical Receipting and Management

9.3.1 Responsibilities of the Asset Controller

- The Asset Controller must ensure that the purchase of assets complies with all municipal polices and procedures.
- The Asset Controller must ensure the all moveable property, plant and equipment is duly processed and identified before it is received into their stewardship.
- The Asset Controller must ensure all moveable assets received into their stewardship are appropriately safeguarded for inappropriate use or loss. This will include appropriate control over the physical access to these assets and regular stock takes to ensure any losses have not occurred. Any known losses should be immediately reported to the Asset Manager.
- The Asset Controller will do an annual stock take of property, plant and equipment as part of the annual reporting processes coordinated by the Asset Manager.
- The Asset Controller must ensure that property, plant and equipment is appropriately utilized these assets for the purpose that the municipality acquired them.

9.3.2 The date of acquisition

- The date of acquisition of an asset is deemed to be the time when legal title and control passes to the municipality.
- This may vary for different categories of assets but will usually be the point of time when the payment for that asset is approved.

9.4 Replacement of fixed assets

- Fixed assets will be replaced when they can no longer deliver the services effectively and efficiently
- Each departmental head will assess the service potential of the fixed assets under their control annually
- The results of these assessments will be included into each departmental head’s contribution to the IDP and capital budgeting process

10 Capitalisation criteria

10.1 Objective

To ensure that only items that meet the criteria and characteristics for fixed assets are capitalised as such

Material value: Management of Valuable Items

10.1.1 Management of asset inventory items

All items that meet the recognition criteria in terms of GRAP 17 will be recognised and accounted for as such.

The capitalisation threshold of R 20 000 (previously applied) will no longer apply as this is not in terms of Generally Accepted Accounting Practice.

10.2 Reinstatement, maintenance and other expenses

10.2.1 Enhancement costs

Only expenses incurred in the following shall be capitalised:

- Enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset)
- Material extension of the useful life

10.2.2 Maintenance costs

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses

10.2.3 Expenses to bring the asset into operation

- Expenses to bring the fixed asset into operation of will be capitalised as part of such fixed asset
- Such expenses may include the following costs:
  - Import duties
  - Forward cover
  - Transportation
  - Installation
  - Assembly
  - Commissioning

10.2.4 Subsequent expenditure on property plant and equipment

- Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.
- All other expenditure should be recognized as an expense in the period in which it occurred.
- Before allowing the capitalization of subsequent expenditure, the Asset Manager must be satisfied that this expenditure significantly:
  - Increases the life of that asset beyond that stated in the asset register, or
  - Increases the quality of service that asset beyond the existing level of service, or
  - Increases the quantity of services that asset can provide, or
  - Reduces the future assessed costs of maintaining that asset.

- Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should also be appropriately included in the approved capital budget.
- Where it is desired to capitalise future component replacements, refurbishments or renewals, then please refer to the section on major components in this policy

11 Management and operation of assets

11.1 Objectives

To ensure that the municipality's fixed assets are effectively utilised and maintained.

11.1.1 Accountability to manage property plant and equipment

- Each Departmental Manager is accountable to ensure that municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This would include;
  - Developing appropriate asset management systems, procedures, processes and controls for managing assets,
  - Providing accurate, reliable and up to date account of assets under their control,
  - The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the municipality's strategic objectives.

11.1.2 Reporting on Emerging Issues

Each Asset Controller should report to the Municipal Manager on issues that will significantly impede the assets capability to provide the required level of service or economic benefit.

12 General, planned and deferred Maintenance

12.1 Objectives

To ensure that fixed asset maintained to a level to ensure that the fixed asset can be used efficiently and services can be effectively rendered to the community by:

- Planned maintenance
- General maintenance
- Reporting and follow-up of deferred maintenance

12.2 General and planned maintenance

- Every departmental head shall be directly responsible for ensuring that all assets are properly maintained to ensure:
  - That such assets provide the desired level of service and;
  - Attain their useful operating lives

12.2.1 Maintenance planning

- An annual maintenance plan shall be prepared and submitted by each departmental head when the capital and operating budget is prepared annually
- A maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned
- The departmental head of the department controlling or using the infrastructure asset in question, shall annually report to the council at least quarterly) on:
  - The extent to which the relevant maintenance plan has been complied with
  - The likely effect which any non-compliance may have on the useful operating life of the asset concerned

12.3 Deferred maintenance

12.3.1 Disclosure of deferred maintenance

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements

Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned

13 Depreciation

13.1 Objectives

To ensure that the accounting records and annual financial statements reflect fixed assets at a value in accordance with the rate at which the economic benefits and service potential has been utilised

13.2 Depreciation

13.2.1 Assets to depreciate

All fixed assets, except land and heritage assets, shall be depreciated

13.2.2 Calculation of depreciation

- Depreciation will take the form of an expense both calculated and debited against the appropriate line item in the department or vote in which the asset is used or consumed
- Depreciation shall initially be calculated from:
  - The day following the day in which a fixed asset is acquired or
  - In the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned
- Thereafter, deprecation charges shall be calculated monthly
- Depreciation will be included in the annual operating budget

13.2.3 Rate of depreciation

- The Asset Manager shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register
- The useful life shall be determined in consultation with the departmental head concerned

13.2.4 Depreciation rate

- The Asset Manager shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question

13.2.5 Initial determination useful life

- Each Asset Controller needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life that asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:
  - The operational, maintenance, renewal and disposal program that will optimize the expected long term costs of owning that asset,
  - economic obsolescence because it is too expensive to maintain,
  - functional obsolescence because it no longer meets the municipalities needs,
  - technological obsolescence,
  - social obsolescence due to changing demographics, and
  - legal obsolescence due to statutory constraints.
- Spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class was retired or use of that asset or class was discontinued, must be considered to form part of the historical cost of that asset or class. The depreciable amount of such spares must be allocated over the useful life of the asset or class.

13.2.6 Review of useful life

The useful life of an item property, plant and equipment should be reviewed regularly and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.

13.2.7 Review of depreciation method

- The depreciation method applied to property, plant and equipment should be reviewed regularly, and if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.
- When such a change in depreciation method is necessary the change should be accounted for as a change in according estimate and the depreciation charge for the current future periods should be adjusted.

14 Amendment of asset lives and diminution in value of fixed assets

14.1 Objective

To ensure that the amendment of asset lives or the diminution in value thereof must take place in a controlled manner based on the operating value and service potential of those fixed assets

14.2 Amendment of asset lives

14.2.1 Authority to amend useful life

- Only the Asset Manager may amend the useful operating life assigned to any fixed asset
- When any material amendment occurs the Asset Manager shall inform the council of the municipality of such amendment

14.2.2 Circumstances to amend useful life

- The Asset Manager shall amend the useful operating life assigned to any fixed asset if:
  - it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or
  - Any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed

14.3 Diminution in fixed asset value

14.3.1 Circumstances to fully depreciate fixed assets

- A fixed asset shall be fully depreciated where:
  - Where the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value
  - Where a fixed asset has been lost, stolen or damaged beyond repair
  - Physically ceased to exist
- These additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question

14.4 Impairment of fixed assets

- A fixed asset is said to be impaired where the recoverable amount or the recoverable service value is less than the carrying amount reflected in the accounting record
- Each departmental head shall annually, judge the useful lives, value and impairment of all the fixed assets under their control and submit to the Asset Manager
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount
- The amount of the reduction should be recognized as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve
- For asset providing economic benefits, the recoverable amount is the net present value of future ownership
- For asset providing future service delivery, the recoverable amount is the remaining proportional of its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance programs

14.4.1 Subsequent increase in recoverable amount

- A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount should be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future

- The amount written back should be reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred

15 Funding sources and reserves

15.1 Objectives

- To ensure that fixed assets are funded in terms of the funding sources available
- To ensure that funding sources are completely and accurately disclosed in the fixed asset register and

15.1.1 Main funding sources

The main sources of finance to be used to acquire assets will be as follows:

- Capital Replacement Reserve (CRR)
- Grants, subsidies and public contributions
- Revenue contributions
- Cash surplus

15.1.2 Capital Replacement Reserve (CRR)

- Council must annually approve the basis and amounts for which contributions should be appropriated to the CRR
- This appropriation will be done in consideration of the funds available and future capital programme
- The CRR funds will be accumulated by:
  - Annual revenue contribution
  - Profit on disposal of assets
- When a fixed asset is financed from the CRR an amount is transferred to the CRR to Accumulated Surplus equal to the cost thereof
- The balance in the reserve must be cash backed

15.1.3 Conditional grants, subsidies, public contributions and donations

- Unspent grants are to be accounted for and disclosed in terms of GRAP 17
- These funds will be cash backed and invested until utilised
- The interest earned from investments will be treated in terms of the conditions of the grant

15.1.4 Revenue contributions

- Revenue will be used to finance smaller fixed asset items
- These items will typically be under the R 20 000 capitalisation threshold mentioned previously

15.1.5 Surplus cash

- If there is sufficient surplus cash available, fixed assets may be financed directly from surplus cash
- Depreciation charges on these assets will not be offset

16 Re-valuation of fixed assets

16.1 Objective

Accurate re-valuation of fixed assets where the re-valuation model is used

16.1.1 Re-valuation process

- All land and buildings recorded in the municipality's fixed asset register shall be re-valued with the adoption by the municipality of each new valuation roll
- The Asset Manager shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Asset Manager is satisfied that such value reflects the fair value of the fixed asset concerned
- Re-valued fixed assets shall thereafter be depreciated on the basis of its re-valued amount

16.1.2 Re-valuation reserve

- The Chief Financial Officer shall create a revaluation reserve for each re-valued fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question

16.1.3 Depreciation of re-valued property

- The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its re-valued amount over its remaining useful operating life
- The increased depreciation expenses must be budgeted

17 Insurance, loss, damage, theft

17.1 Objective

To ensure that municipal fixed assets are adequately insured and adequate records kept of loss, damage and theft thereof

17.2 Insurance of fixed assets

- The municipal manager shall ensure that all the fixed assets are adequately insured
- The municipal manager shall recommend to the council of the municipality, after consulting with the relevant staff, the basis of the insurance to be applied to each type of fixed asset: either
  - The carrying value or
  - The replacement value of the fixed assets concerned
- Such recommendation shall take due cognisance of the budgetary resources of the municipality
- The municipal manager shall ensure that insurance cover is sourced in terms of the supply chain management policy of the municipality
- The municipal manager shall annually submit a report to the council of the municipality for approval on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve

17.3 Loss, damage, theft of fixed assets

- Every departmental head shall promptly report every incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in writing to the Chief Financial Officer and;
- In cases of suspected theft or malicious damage also to the South African Police Service
- Each departmental head shall prepared a schedule of loss, damage and theft and submit it to the Chief Financial Officer annually by 30 June
- The Asset Manager will then reconcile this information to the insurer's schedule and collate it into a report for external audit

18 Disposal and retirement from use

18.1 Objective

To ensure that disposal and transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy

18.2 Disposal of fixed assets

- Each departmental head shall report in writing to the Asset Manager annually on all fixed assets controlled or used by the department concerned on which fixed assets they wish to dispose of by public auction, public tender or write-off by 30 June each year
- Each departmental head must take the necessary steps to ensure that all obsolete or damaged assets are disposed of in an appropriate and approved manner

18.3 Other write-offs

- A fixed asset shall be written-off only on the recommendation of the departmental head of the department controlling the asset and with the final approval of Council
- Every departmental head shall report annually to the Asset Manager which fixed assets they wish to have written-off, stating the full reason for such recommendation by 30 June of each year
- The Asset Manager will then consolidate all such reports and submit a recommendation to Council for approval.
- Valid reasons for the writing-off of fixed assets shall be the disposal, loss, theft, destruction, incorrect capitalizations or material impairment of these fixed assets

18.3.1 Accounting treatment on Disposal

- An item of property, plant and equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery are expected from its disposal.
- Gains or losses arising from the retirement or disposal of an item of property, plant and equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the income statement.

18.3.2 The Supply Chain Management Policy

The asset management policy must be read together with section 40 of the Municipality's "Supply Chain Management policy" which sets out requirements for "Disposal Management" under the following headings:

- Disposal and letting of the municipality's assets and,
- Evaluation of offers for disposal and letting of assets

19 Accounting and financial statement disclosure

Fixed assets should be disclosed and accounted for in terms of GRAP 17 as applicable

19.1 Objective

To ensure that financial statement disclosures for fixed assets to be done in terms of GRAP 17 as applicable

19.2 Detailed disclosure requirements

- The Chief Financial Officer must ensure that relevant and current GRAP 17 accounting standards are applied for the disclosure of fixed assets on the financial statements
- The financial statements should disclose, in respect of each class of property, plant and equipment classified under the categories of infrastructure, community, heritage, investment properties and other assets:
  - The measurement bases used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed.
  - The depreciation methods used.
  - The useful lives or the depreciation rates used.
  - Depreciation charged in arriving at net surplus or deficit for the period.
  - The gross carrying amount and the accumulated depreciation at the beginning and the end of the period.
  - A reconciliation of the carrying amount at the beginning and end of the period showing:
    (i) additions
    (ii) disposal
    (iii) acquisition through business combinations
    (iv) increases or the decreases resulting from revaluations
    (v) deductions in carrying amount
    (vi) amounts written back
    (vii) depreciation
    (xi) other movements
- The financial statement should also disclose:
  - Whether or not, in determining the recoverable amount of items of property, plant and equipment, expected future cash flows have been discounted to their present values.
  - The existence and amounts of restrictions on title and property, plant and equipment pledged as security for liabilities.
  - The accounting policy for restoration costs relating to items of property, plant and equipment.
  - The amount of expenditures on account of property, plant and equipment in the course of construction, and
  - The amount of commitments for the acquisition of property, plant and equipment.
- When items of property are stated at re-valued amounts, the financial statements should disclose:
  - The basis used to revalue the assets.
  - The effective date of revaluation.
  - Whether an independent value was involved.
  - The nature of any indices used to determine replacement cost.

- The carrying amount of each class of property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less depreciation.
- The revaluation surplus, detailing the movement for the period.

- The portion of the depreciation charge relating to the revaluation.

20 ANNEXURE: FIXED ASSET LIVES

The useful lives of items of property, plant and equipment have been assessed as follows:

Computer Equipment	05-10
Solid Waste Disposal	05-55
Dwellings	05-30
Electricity	05-80
Furniture & Office Equipment	03-10
Non Residential Dwellings	10-30
Transport Assets	04-20
Machinery & Equipment	02-20
Roads	03-100
Computer software, other	03-05

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

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

A municipality may alienate any other capital asset, but provided

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

Umzumbe Municipality SCM Policy for Infrastructure procurement and delivery management

Circular No X of 2015/2016: Model SCM Policy for Infrastructure Delivery Management provides guidance to municipalities and municipal entities on the establishment of a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption. The *Model SCM Policy for Infrastructure Delivery Management* which is attached to this circular is issued in terms of Section 168 of the Municipal Finance Management Act of 2003 in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations as a Treasury guideline determining a standard for municipal supply chain management policies. It is linked to the *National Treasury Standard for Infrastructure Procurement and Delivery Management* which establishes:

a) requirements for the following matters as applied to the supply chain management system for infrastructure delivery:

- institutional arrangements;
- demand management;
- acquisition management;
- contract management;
- logistics management;
- disposal management;
- reporting of supply chain management information;
- regular assessment of supply chain management performance; and
- risk management and internal control; and

b) a control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement.

This standard for municipal supply chain management policies relating to infrastructure procurement and delivery management, or any modified version of it, when adopted will assist municipalities and municipal entities to better plan and obtain the value for money when undertaking infrastructure projects.

Supply chain management may be defined as "*the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof"*. On the other hand infrastructure is defined as "*immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets*" while infrastructure delivery is defined as "*the combination of* *all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure*." Accordingly, infrastructure delivery management is the supply chain management system for infrastructure.

This policy is aligned with the Supply Chain Management Regulations issued in terms of the Local Government: Municipal Finance Management Act of 2003.

There are unavoidably duplications in supply chain management policies for general goods and services and those for infrastructure delivery management arising from not only regulatory requirements but also an overlap in support functions such as the receipt of bids and advertising of bids. This model policy document may accordingly be issued as a stand-alone policy or as a policy which is supplementary to a municipality's or municipal entity's supply chain management system for general goods and services. Where it is issued as a supplementary policy, text should be replaced with cross references to the overarching policy.

The approach to procurement documentation is significantly different between general goods and services and infrastructure delivery. Documents for general goods and services, are based on the National Treasury General Conditions of Contract (GCC) which focuses on the rights and obligations of the parties in a generic manner and also deals with aspects of the bidding processes. This GCC requires that goods conform to the standards mentioned in the bidding documents and specifications and is used with standard bidding documents which include an invitation to bid, price schedules, local content, certificate of bid independence, declaration of bidders past SCM practices etc. Accordingly, the major variables between documents are the specifications or terms of reference and the evaluation criteria which ensures that bids are awarded on the basis of the lowest price for meeting a minimum standard. Contracts or service level agreements are frequently negotiated after the award of the bid.

In contrast, infrastructure procurement documents are based on a standard approach to the formatting and compilation of procurement documents used in conjunction with flexible standard conditions for the calling for an expression of interest and conditions of tender and a standard form of contract selected from a prescribed list. These standard forms of contract permit different allocations of risk to the parties to a contract and a wide range of pricing strategies to be pursued. This approach to procurement documentation enables procurement strategy and tactics to be exercised both in the awarding and in the performance of a contact in order to realise best value for money outcomes. Very seldom are material changes made in the draft contract which is issued to tenderers during the process of offer and acceptance as the offer is based on the selected allocation of risks and pricing strategies.

There are accordingly significant differences in the approach to bid specification and bid evaluation committees between the SCM system for general goods and services and that for infrastructure as a very different skills sets coupled with contextual knowledge is required. On the other hand, the bid adjudication committee is a governance committee which can deal with submissions emanating from both supply chains. (In any event, in most of the smaller organisations, the membership of this committee would probably not differ significantly if separate bid adjudication committees are established for the different supply chains.)

In order to distinguish between committees used in the two supply chain management systems, the terms procurement documentation, evaluation and tender committee are used in this document for the corresponding bid specification, bid evaluation and bid adjudication committees referred to in Treasury Regulations.

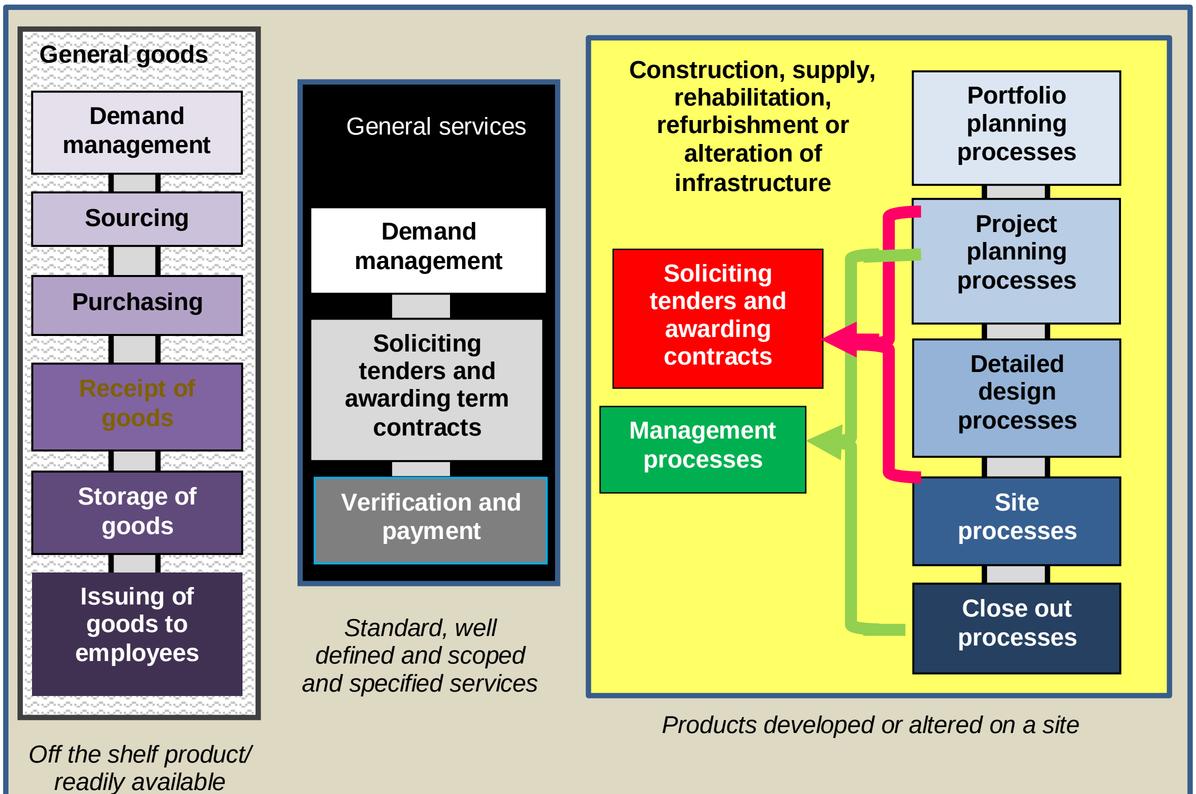
All text in square brackets needs to be populated with the correct data. All footnotes need to be deleted following the completion of the document.

Those responsible for putting in place the municipality's or municipal entity's policy need to review this model policy to ensure that it meets the needs of the municipality or municipal entity and adapt it as necessary so that the policies for both supply chain management systems are aligned.

The Supply Chain Management Regulations issued in terms of the MFMA permit the accounting officer (municipal manager or chief executive) to make use of any Treasury guidelines determining standards for municipal supply chain management policies and to submit to the council or board of directors that guideline standard, or any modified version as a draft policy (see Regulations 2 and 3). The Regulations furthermore require the municipal manager or chief executive to report any deviation from the guideline standard to the National Treasury and the relevant provincial treasury. Accordingly, all departures from this model policy and the *Standard for Infrastructure Procurement and Delivery Management* which is embedded within the policy must be reported to the relevant treasury.

Preface

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.



Different procurement types

In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immoveable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Procurement is *the process which creates, manages and fulfils contracts*. Procurement deals with activities surrounding contracts. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts. On the other hand, supply chain management (SCM) is *the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof.* Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects. Accordingly, supply chain management is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain.

Infrastructure is defined as "*immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets*" while infrastructure delivery is defined as "*the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure*." Accordingly, infrastructure delivery management contextualises the supply chain management system for infrastructure.

Understandably, there are several overlaps between the supply chain management system for general goods and services and that for infrastructure delivery management. However, the inclusion of control frameworks in the Standard for Infrastructure Procurement and Delivery Management is aimed at expenditure control and a reduction in the gap between what is planned and budget for and what is delivered to ensure that value for money is achieved.

The primary purpose of this document is to embed an infrastructure delivery management system for Umzumbe Municipality which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. In also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.

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1 Scope

This policy establishes the Umzumbe Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

a) the storage of goods and equipment following their delivery to Umzumbe Municipality which are stored and issued to contractors or to employees;

b) the disposal or letting of land;

c) the conclusion of any form of land availability agreement;

d) the leasing or rental of moveable assets; and

e) public private partnerships.

2 Terms, definitions and abbreviations

2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

agent: person or organization that is not an employee of Umzumbe Municipality that acts on Umzumbe Municipality's behalf in the application of this document

authorised person: the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

conflict of interest: any situation in which:

a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,

b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or

c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

contract manager: person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

family member: a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

gratification: an inducement to perform an improper act

infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

order: an instruction to provide goods, services or any combination thereof under a framework agreement

organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

principal: a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

standard: the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

working day: any day of a week on which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

3 General requirements[1]

3.1 Delegations

3.1.1 The Council of Umzumbe Municipality hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;

b) maximise administrative and operational efficiency in the implementation of this document;

c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and

[1] This clause is required to ensure that the standard is linked to the policy and aligned with the MFMA SCM Regulations.

d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the Municipal Manager of Umzumbe Municipality[2]

3.1.3 The Municipal manager shall for oversight purposes:

a) within 30 days of the end of each financial year, submit a report on the implementation of this policy and the equivalent policy of any municipal entity under the sole or shared control of the Umzumbe Municipality, to the council of the Umzumbe Municipality[3].

b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the Council.

c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the Mayor; and

d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1 Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition if the National Treasury Standard for Infrastructure Procurement and Delivery Management.[4]

3.2.2 Pre-feasibility and feasibility reports are required on . . . . [5]

3.2.3 Stage 3 to 7 are required for . . . . [6]

3.3 Supervision of the infrastructure delivery management unit[7]

The Infrastructure Delivery Management Unit shall be directly supervised by the SCM Manager.

3.4 Objections and complaints[8]

Persons aggrieved by decisions or actions taken in the implementation of this policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

3.5 Resolution of disputes, objections, complaints and queries[9]

[2] SCM Regulation 36 of the MFMA permits deviations from, and ratification of minor breaches or procurement processes.

[3] Delete text after / in the case of a municipality and the text before the / in the case of a municipal entity.

[4] Any deviation to the provisions of this standard must be reported to National Treasury and the relevant treasury.

[5] Sub-clause 4.1.1.4 c) of the standard permits an organ of states' policy to require that pre-feasibility and feasibility reports are required, notwithstanding the test provided for in this sub-clause to determine if such reports are required. The compiler of the policy needs to delete this sub-clause if it is not required.

[6] Sub-clause 4.1.1.1 of the standard permits stages 3 to 9 where the work does not involve the provision of new infrastructure or the rehabilitation, refurbishment, alteration of existing infrastructure. Stages 5 and 6 to be omitted where there is sufficient information to proceed to stage 7 is contained in the stage 4 deliverable. The policy may require that certain types of work (e.g. specific types of maintenance) need to pass through all the stages. If this is the case, the policy may require the application of all the stages for specific types of projects. The compiler of the policy needs to delete this sub-clause if it is not required.

[7] SCM Regulation 7 which is issued in terms of the MFMA requires each municipality to establish a supply chain management unit to implement its supply chain management policy, which where possible, should operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of Section 82 of the MFMA. There are benefits in establishing SCM units for general goods and services and infrastructure and to delegate the supervision to a person other than the chief financial officer.

[8] This clause aligns with SCM Regulation 49 issued in terms of the MFMA.

[9] This clause aligns with SCM Regulation 50 issued in terms of the MFMA.

3.5.1 The Municipal Manager shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between Umzumbe Municipality and other persons regarding:

a) any decisions or actions taken in the implementation of the supply chain management system;

b) any matter arising from a contract awarded within the Umzumbe Municipality infrastructure delivery management system; or

c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2 The SCM Manager shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

3.5.3 The person appointed in terms of 3.5.1 shall:

a) strive to resolve promptly all disputes, objections, complaints or queries received; and

b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

3.5.4 A dispute, objection, complaint or query may be referred to the Provincial Treasury if:

a) the dispute, objection, complaint or query is not resolved within 60 days; or

b) no response is forthcoming within 60 days.

3.5.5 If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

4 Control framework for infrastructure delivery management[10]

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables[11]

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Additional gates[12]

The following additional gates shall apply:
None. . . . .

4.3 Additional requirements[13]

[10] This clause is required to ensure compliance with the requirements of the standard.

[11] The terms “approve” and “accept” have the meanings “officially agree to” and “receive as adequate, valid, or suitable give an affirmative answer to a proposal”, respectively. Approvals will typically take place at a senior management level whilst acceptances can be made at a lower level. Approvals and acceptances can be granted by individuals or committees.
Where a municipality or municipal entity implements a project on behalf of an organ of state, acceptance / approval of end of stage deliverables may have to be granted in consultation with such an organisation. Alternatively it may be assigned to a party to an agency agreement developed in accordance with the provisions of clauses 5.2 of the standard. As a result, Table 1 may have to differentiate between own infrastructure and client institution’s infrastructure. It may also have to differentiate between the value and type of projects.

[12] Clause 4.1.1.7 of the standard permits the inclusion of additional gates, if deemed necessary. This is an optional provision. The compiler of the policy should either delete this provision or describe the additional gates that are required, what their end of stage deliverable and any requirements associated with deliverables, who approves / accepts the deliverable etc..

[13] State additional requirements for any of the stages, as necessary. Sub clause 4.1.1.4 permits a municipality or municipal entity to insist that pre-feasibility and feasibility reports be provided irrespective of the test contained in the standard for determining if such reports contained in the standard suggests otherwise.

The following additional requirements apply:

None. . . . .

4.4 Gateway reviews

4.4.1 Gateway reviews for major capital projects above a threshold

4.4.1.1 Municipal manager shall appoint a gateway review team in accordance with the provisions of clause 4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

4.4.1.2 The requirements for a gateway review in addition to those contained in section 4.1.13 of the standard are as follows:[14]

4.4.2 Elective gateway reviews[15]

Gateway reviews shall be undertaken . . . .

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage			**Person assigned the responsibility for approving or accepting end of stage deliverables**
No	**Name**		
0	Project initiation		Municipal manager accepts the initiation report
1	Infrastructure planning		Council approves the infrastructure plan
2	Strategic resourcing		Municipal manager approves the delivery and / or procurement strategy
3	Pre-feasibility		Director Technical accepts the pre-feasibility report
	Preparation and briefing		Director Technical accepts the strategic brief
4	Feasibility		Director Technical accepts the feasibility report
	Concept and viability		Director Technical accepts the concept report
5	Design development		Director Technical accepts the design development report
6	Design documentation	6A Production information	Director Technical accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information	The contract manager accepts the manufacture, fabrication and construction information
7	Works		The contract manager certifies completion of the works or the delivery of goods and associated services
8	Handover		The owner or end user accepts liability for the works
9	Package completion		The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract

[14] Delete or add in any additional requirements.

[15] State optional requirements or delete clause. Gateway reviews may be undertaken by a gateway review team of the deliverables associated with any of the gates in the control framework. Such reviews should preferably take place at gates 4, 5 or 8. They can also be conducted on a random sample basis after the end of stage deliverable has been accepted. Such reviews can capture lessons learned and in so doing improve the quality of future deliverables.

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	**Name**	
		The contract manager certifies final completion in accordance with the provisions of the contract Director Technical accepts the close out report

5 Control framework for infrastructure procurement[16]

5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

5.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows: [17]

a) Municipal manager shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;

b) the Municipal manager may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement[18]

6.1.1.1 General

6.1.1.1.1 A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

6.1.1.1.2 The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

6.1.1.1.3 The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of

[16] This clause is required to ensure compliance with the requirements of the standard.

[17] SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. It is not, however, a requirement for such a committee to deal with quotations.

[18] SCM Regulation 26 of the MFMA requires that a committee system be established for procurement above the threshold for quotations. A municipality of a municipal entity may require that the tender committee (bid adjudication committee) also deal with quotations

The principle of segregation (an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task) is dealt with the committee system in the standard as follows:

- procurement gate 3: a technical evaluation of procurement documents and an approval of such documentation;
- procurement gate 5: a technical evaluation of submissions and an authorization to proceed with the next phase of a procurement process; and
- procurement gate 6: a tender evaluation and a recommendation to award a contract.

1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

6.1.1.1.5 Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterized by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2 Procurement documentation committee

6.1.1.2.1 The Municipal Manager shall appoint in writing on a procurement by procurement basis:

a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and

b) the members of the procurement documentation committee.

6.1.1.2.2 The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Umzumbe Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 **PG1**	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	*Director Technical Services*
2*	Decide on procurement strategy	2.5 **PG2**	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	*SCM Manager in consultation with the Director Technical Services*
3	Solicit tender offers	3.2 **PG3**	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	*Municipal manager or Director Technical Services*
		3.3 **PG4**	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	*Director Technical Services or Chief Financial Officer*
4	Evaluate tender offers	4.2 **PG5**	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	*Bid Evaluation Committee*
		4.7 **PG6**	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	*Bid adjudication committee and Municipal Manager*
5	Award contract	5.3 **PG7**	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	*Municipal Manager*
		5.5 **GF1**	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	*SCM Manager*

* Applies only to goods and services not addressed in a procurement strategy developed during stage 2 (strategic resourcing) of the control framework for infrastructure delivery management

Table 2 (concluded)

Activity		Sub-Activity		Key action	Person assigned responsibility to perform key action
6	Administer contracts and confirm compliance with requirements	6.4 **PG8A**	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	*Municipal Manager*
		6.5 **PG8B**	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	*Municipal Manager*
		6.6 **PG8C**	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage[19]	Approve amount of time and cost overruns up to the threshold	*Municipal Manager*
		6.7 **PG8D**	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns above a the threshold	*Municipal Manager*
		6.8 **PG8E**	Obtain approval to cancel or terminate a contract	Approve amount	*Municipal Manager*
		6.9 **PG8F**	Obtain approval to amend a contract	Approve proposed amendment to contract	*Municipal Manager*

[19] Stepped thresholds leading up to the 20% and 30% values given in PG8D may be necessary to manage cost and time overruns, respectively, the principle being that approval to exceed these percentages needs to be granted at a more senior level with each increase. For example, the increases for cost overruns could be as follows:

- ≤ 2,5 % - contract manager;
- 2,5 to 10% - project director
- > 10% - appropriately delegated authority

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

Activity		Key action	Person assigned responsibility to perform key action
1 **FG1**	Confirm justifiable reasons for selecting a framework contactor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	*Municipal Manager*
3 **FG2**	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	*Municipal Manager*
4 **FG3**	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	*Director Technical Services or Chief Financial Officer*
6 **FG4**	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	*Municipal Manager*

6.1.1.3 Evaluation committee

6.1.1.3.1 The Municipal Manager shall appoint on a procurement by procurement basis in writing:

a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and

b) the members of the evaluation committee.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Umzumbe Municipality with requisite skills. Other members shall include a supply chain management practitioner[20] and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3 The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

a) the capability and capacity of a tenderer to perform the contract;

b) the tenderer's tax and municipal rates and taxes compliance status;

c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;

d) the Compulsory Declaration has been completed; and

e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4 No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the Municipal Manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Adjudication committee[21]

6.1.1.4.1 The Adjudication committee shall comprise the following persons or their mandated delegate:[22]

A bid adjudication committee must consist of at least four senior managers of the municipality which must include –

(a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and

[20] A supply chain management practitioner in the context of infrastructure delivery includes a built environment professional

[21] Where no separate tender committee is established, this section should simply refer to the bid adjudication committee which is set up to deal with tenders with both the supply chain for general goods and services and for infrastructure

[22] The chairperson needs to be an employee of the municipality or the municipal entity with requisite skills. Other members should be employees of the municipality or the municipal entity and include at least four senior managers including the chief financial officer, a supply chain management practitioner and a technical expert in the relevant field, if such municipality or municipal entity has such an expert.

(b) at least one senior supply chain management practitioner who is an official of the municipality; and

(c) a technical expert in the relevant field who is an official, if such an expert exists.

6.1.1.4.2 No member of the evaluation committee may serve on the adjudication committee. A member of an evaluation committee may, however, participate in the deliberations of an adjudication committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The adjudication committee shall:

a) consider the report and recommendations of the evaluation committee and:

   1) verify that the procurement process which was followed complies with the provisions of this document;

   2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;

   3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and

   4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and

b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the Municipal Manager on the award of a tender, with or without conditions, together with reasons for such recommendation.

6.1.1.4.4 The adjudication committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the Municipal Manager on the course of action which should be taken.

6.1.1.4.5 The adjudication committee shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager.

6.1.1.4.6 The adjudication committee shall report to the adjudication committee any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The adjudication committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

a) made a misrepresentation or submitted false documents in competing for the contract or order; or

b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.8 The adjudication committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the Provincial Treasury shall be informed where such tenderers are disregarded.

6.1.2 Actions of an authorised person relating to the award of a contract or an order

6.1.2.1 Award of a contract

6.1.2.1 The Municipal Manager shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the Adjudication committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the delegated official, and either:

a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or

b) decide not to proceed or to start afresh with the process.

6.1.2.2 The Municipal Manager shall immediately notify the delegated official if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and Provincial Treasury, and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

6.1.2.3 Issuing of an order

The Municipal Manager shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation & adjudication committee as relevant, and either:

a) authorise the issuing of an order in accordance with the provisions of clause 4.25 of the standard; or

b) decide not to proceed or to start afresh with the process.

6.1.3 Conduct of those engaged in infrastructure delivery[23]

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of Umzumbe Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

a) behave equitably, honestly and transparently;

b) discharge duties and obligations timeously and with integrity;

c) comply with all applicable legislation and associated regulations;

d) satisfy all relevant requirements established in procurement documents;

e) avoid conflicts of interest; and

f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2 All personnel and agents engaged in Umzumbe Municipality infrastructure delivery management system shall:

a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;

b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;

[23] Sub clause 5.1 d) of the standard requires that the municipality's or municipal entity's policy establish ethical standards for those involved in the procurement and delivery of infrastructure. This clause is aligned with the provisions of SCM Regulation 46 (Ethical standards) issued in terms of the MFMA and National Treasury's Code of Conduct for Supply Chain Management Practitioners

c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;

d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;

e) ensure that resources are administered responsibly;

f) be fair and impartial in the performance of their functions;

g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;

h) not abuse the power vested in them;

i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;

j) assist Umzumbe Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;

k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;

l) not make false or misleading entries in reports or accounting systems; and

m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.1.2 An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

6.1.3.2 Conflicts of interest

6.1.3.2.1 The employees and agents of Umzumbe Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

a) disclose in writing to the employee of the Umzumbe Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and

b) not participate in any activities that might lead to the disclosure of Umzumbe Municipality proprietary information.

6.1.3.2.2 The employees and agents of Umzumbe Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3 Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Umzumbe Municipality interest to do so, submit a tender for work associated with such documents provided that:

a) Umzumbe Municipality states in the tender data that such an agent is a potential tenderer;

b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and

c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3 Evaluation of submissions received from respondents and tenderers

6.1.3.3.1 The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

a) not have any conflict between their duties as an employee or an agent and their private interest;

b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;

c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and

d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Umzumbe Municipality

6.1.3.3.2 The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Umzumbe Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 Umzumbe Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4 Non-disclosure agreements

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Umzumbe Municipality confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of Umzumbe Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of Umzumbe Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

a) money, loans, equity, personal favours, benefits or services;

b) overseas trips; or

c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3 The employees and agents of Umzumbe Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4 All employees and agents of Umzumbe Municipality may for the purpose of fostering inter-personal business relations accept the following:

a) meals and entertainment, but excluding the cost of transport and accommodation;

b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;

c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;

d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and

e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the Municipal Manager[24].

6.1.3.5.5 Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.6 Employees and agents of Umzumbe Municipality shall without delay report to the Municipal Manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6 Reporting of breaches

Employees and agents of Umzumbe Municipality shall promptly report to the Municipal Manager any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4 Measures to prevent abuse of the infrastructure delivery system[25]

The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

a) take steps against an employee or role player and inform the National Treasury and Provincial Treasury of those steps;

b) report to the South African Police Service any conduct that may constitute a criminal offence;

c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;

d) cancel a contract if:

   1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or

   2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5 Awards to persons in the service of the state[26]

6.1.5.1 Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;

[24] SCM Regulation permits the receipt of gifts and hospitality provided that they are declared to the municipal manager or the chief executive

[25] The requirement to prevent abuse of the supply chain management system is aligned with the provisions of SCM Regulation 38 issued in terms of the MFMA.

[26] The clause aligns with SCM Regulation 44 issued in terms of the MFMA.

b) a member of the board of directors of any municipal entity;

c) an official of any municipality or municipal entity;

d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

e) a member of the accounting authority of any national or provincial public entity; or

f) an employee of Parliament or a provincial legislature.

6.1.5.2 The notes to the annual financial statements of Umzumbe Municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

6.1.6 Collusive tendering[27]

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

a) is not associated, linked or involved with any other tendering entity submitting tender offers; or

b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender

shall be rejected.

6.1.7 Placing of contractors under restrictions[28]

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;

b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;

c) had their contract terminated for reasons within their control without reasonable cause;

d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;

e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith Umzumbe Municipality; or

f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Umzumbe Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

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[27] The standard requires the inclusion of the Compulsory Declaration in all procurement documents. This sub-clause aligns with SCM Regulation 44 issued in terms of the MFMA and SANS 10845-3 which is incorporated by reference in the standard.

[28] This sub-clause is aligned with the requirements of SCM Regulation 38 issued in terms of the MFMA.

the SCM Manager shall prepare a report on the matter and make a recommendation to the Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with Umzumbe Municipality.

6.1.7.2 The Municipal Manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Umzumbe Municipality for a period of time.

6.1.7.3 The SCM unit shall:

a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Umzumbe Municipality who are engaged in procurement processes; and

b) notify the National Treasury and Provincial Treasury and , if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8 Complaints

6.1.8.1 All complaints regarding the Umzumbe Municipality infrastructure delivery management system shall be addressed to the Municipal Manager. Such complaints shall be in writing.

6.1.8.2 The SCM unit shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the municipal manager who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal[29]

6.2.1.1 The Umzumbe Municipality not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;

b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;

c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for Umzumbe Municipality];

d) the offer is in writing and clearly sets out the proposed cost;

e) the person who made the offer is the sole provider of the goods or service; and

f) the Municipal Manager finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2 The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the Umzumbe Municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;

[29] The clause aligns with SCM Regulation 37 issued in terms of the MFMA.

b) the Umzumbe Municipality has obtained comments and recommendations on the offer from the National Treasury and Provincial Treasury;

c) the tender committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and Provincial Treasury and

d) the provisions of 6.2.1.3 are complied with.

6.2.1.3 The municipal manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the Provincial Treasury and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

6.2.2 Tax and rates compliance[30]

6.2.2.1 SARS tax clearance

6.2.2.1.1 No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS or if not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

6.2.2.1.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.2.1.

6.2.2.1.3 No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of Umzumbe Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.1.4 Notwithstanding the requirements of 6.2.2.1 and 6.2.2.3 the following shall apply, unless a person who is not tax compliant indicates to Umzumbe Municipality that it intends challenging its tax compliance status with SARS,

a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;

b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;

c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;

d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;

e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.1.5 The Umzumbe Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).

[30] This sub-clause aligns with the provisions of SCM Regulation 43 issued in terms of the MFMA. .

6.2.2.2 Municipal rates and taxes[31]

No contract may be awarded to a tenderer who, or the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

a) are an employee of the Umzumbe Municipality or in the employ of the state; or

b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4 Invitations to submit expressions of interest or tender offers

6.2.4.1 All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Umzumbe Municipality's website and on the National Treasury eTender Publication Portal.[32] Advertisements shall be placed by the SCM Unit.

6.2.4.2 Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by Technical Services Department.

6.2.4.3 Where deemed appropriate by the Municipal Manager an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by the SCM Unit.

6.2.4.4 Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the Municipal Manager.

6.2.4.5 Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

6.2.5 Publication of submissions received and the award of contracts[33]

6.2.5.1 The SCM Unit shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the municipality's or municipal entity's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.5.2 The SCM Unit shall publish within 7 working days of the award of a contract the following on the municipality's website :

a) the contract number;

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[31] This subclause aligns with the provisions of SCM Regulation 38 issued in terms of the MFMA.

[32] This subclause aligns with National Treasury Instruction No 1 of 2015/2016 – Advertisement of bids and the publication of awards on the eTender Publication Portal.

[33] This subclause aligns with National Treasury Instruction No 1 of 2015/2016 – Advertisement of bids and the publication of awards on the eTender Publication Portal.

b) contract title;

c) brief description of the goods, services or works;

d) the total of the prices, if practical;

e) the names of successful tenderers and their B-BBEE status level of contribution;

f) duration of the contract; and

g) brand names, if applicable.

6.2.5.3 The SCM Unit shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by SCM Unit.

6.2.5.4 The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made and placed by SCM Unit.

6.2.6 Disposal committee

6.2.6.1 The municipal manager shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Umzumbe municipality.

6.2.6.3 The disposal committee shall make recommendations to municipal manager who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

The SCM unit shall submit any reports required in terms of the standard to the National Treasury or Provincial Treasury.

7 Infrastructure procurement

7.1 Usage of procurement procedures[34]

Umzumbe municipality shall not apply the following procedures:

a) *N/A*

b) *N/A*

7.2 Procurement documents

7.2.1 The forms of contract that may be used are as follows:

[34] Delete this clause if there are no restriction. Amend if there are specific circumstance under which a procurement procedure is to be used.

Form of contract[35]	Code	Usage

7.2.2 The Umzumbe municipality's preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by the Municipal manager prior to being issued for tender purposes.

7.2.3 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.[36]

7.2.4 *[state additional requirements, if any e.g. use of standard access specifications, health and safety specifications etc.]*[37] *N/A*

7.2.5 The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

a) consultancy services;[38] and

b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.[39]

7.3 Developmental procurement policy[40]

The following specific goals shall be proposed:

None. . . ……

7.4 Payment of contractors[41]

The Umzumbe municipality shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

7.5 Approval to utilise specific procurement procedures[42]

7.5.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

a) Municipal manager shall authorise the use of the negotiated procedure above the thresholds provided in the standard.

b) Municipal manager shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and

c) the proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure[43].

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35 Reproduce from Table 11 of the standard the forms of contract which the municipality or municipal entity wishes to make use of.
36 This sub-clause aligns with SCM Regulation 21 issued in terms of the PFMA.
37 Include if requirements are not included in the templates.
38 The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.
39 The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.
40 State specific goals that may be promoted.
41 The Section 65 of the MFMA requires municipal manager or chief executives to settle all contractual obligations and pay all money owing within 30 days of receiving the relevant statement or invoice.
42 This clause is necessary to enable the standard to be implemented.
43 7.5.1 c) is an optional statement and needs to be deleted if this control is not required.

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is the Municipal Manager..

7.6 Receipt and safeguarding of submissions[44]

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.[45]

7.6.2 The tender box shall be fitted with two locks and the keys kept separately by two officials. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7 Opening of submissions[46]

7.7.1 Submissions shall be opened by an opening panel comprising two people nominated by the Municipal Manager who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.7.2 The opening panel shall open the tender box at the stipulated closing time and:

a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;

b) return submissions unopened and suitably annotated where:

    1) submissions are received late, unless otherwise permitted in terms of the submission data;

    2) submissions were submitted by a method other than the stated method,

    3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and.

    4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;

c) record in the register submissions that were returned unopened;

d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;

e) record in the register the name of any submissions that is returned with the reasons for doing so;

f) record the names of the tenderer's representatives that attend the public opening;

g) sign the entries into the register; and

h) stamp each returnable document in each tender submission.

7.7.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.2(h).

7.7.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

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[44] This section may not be necessary if the policy for general goods and services already covers these requirements.
[45] Modify as necessary. Preferably describe the location and accessibility of the box.
[46] This section may not be necessary if the policy for general goods and services already covers these requirements.

7.7.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.8 Use of another organ of state's framework agreement[47]

The Umzumbe Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The Municipal Manager shall make the necessary application to that organ of state to do so.

7.9 Insurances[48]

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract.[49]

7.9.2 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by the Municipal Manager.

7.9.3 Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 4: Minimum insurance cover[50]

Type of insurance	**Value**
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million other R3,0 million

7.9.4 The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by Municipal Manager.

7.9.5 SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

7.9.5 Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the *[designated person]* in relation to the nature of the service that they provide.

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[47] This clause aligns with SCM Regulation 32 issued in terms of the MFMA and clause 7.3 of the Standard.

[48] Align with the manner in which the municipality or municipal entity wishes to manage risk.

[49] Alternatively state that the insurances shall be principal or employer controlled.

[50] Modify as necessary

7.9.6 Umzumbe Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

7.9.7 Where payment is to be made in multiple currencies, either the contractor or Umzumbe Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

7.10 Written reasons for actions taken

7.10.1 Written reasons for actions taken shall be provided by the SCM Manager.

7.10.2 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

a) SANS 10845-3, *Construction procurement - Part 3: Standard conditions of tender,* and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or

b) SANS 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest;*

as to why a tenderer was not considered for the award of a contract or not awarded a contract.

7.10.3 Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

7.11 Request for access to information[51]

7.11.1 Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the Umzumbe Municipality Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of Umzumbe Municipality.

7.11.2 Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

[51] Amend as necessary

UMZUMBE MUNICIPALITY SUPPLY CHAIN MANAGEMENT POLICY

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Date of adoption: May 2017

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the municipality.

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Definitions

1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

"competitive bidding process" means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

"competitive bid" means a bid in terms of a competitive bidding process;

"final award", in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

"formal written price quotation" means quotations referred to in paragraph 12 (1) (c) of this Policy;

"in the service of the state" means to be –

(a) a member of –

  (i) any municipal council;

  (ii) any provincial legislature; or

  (iii) the National Assembly or the National Council of Provinces;

(b) a member of the board of directors of any municipal entity;

(c) an official of any municipality or municipal entity;

(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(e) ***an executive*** member of the accounting authority of any national or provincial public entity; or

(f) an employee of Parliament or a provincial legislature;

"long term contract" means a contract with a duration period exceeding one year;

"list of accredited prospective providers" means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

"other applicable legislation" means any other legislation applicable to municipal supply chain management, including –

(a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);

(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and

(c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

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

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

“written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –

(a) gives effect to –

(i) section 217 of the Constitution; and

(ii) Part 1 of Chapter 11 and other applicable provisions of the Act;

(b) is fair, equitable, transparent, competitive and cost effective;

(c) complies with –

(i) the Regulations; and

(ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;

(d) is consistent with other applicable legislation;

(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, provincial and local economic policy concerning the promotion of investments and doing business with the public sector.

(2) This Policy applies when the municipality –

(a) procures goods or services;

(b) disposes goods no longer needed;

(c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

(a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and

(b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

3. (1) The accounting officer must –

(a) at least annually review the implementation of this Policy; and

(b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council.

(2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –

(a) ensure that such proposed amendments comply with the Regulations; and

(b) report any deviation from the model policy to the National Treasury and the KZN Provincial Treasury.

(3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

(4) The Accounting Officer of the municipality must, in terms of Section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements the SCM Policy.

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –

(a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –

(i) Chapter 8 or 10 of the Act; and

(ii) this Policy;

(b) to maximise administrative and operational efficiency in the implementation of this Policy;

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

(d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Sections 79 and 106 of the Act apply to the subdelegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).

(3) The accounting officer may not subdelegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;

(4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

Subdelegations

5. (1) The accounting officer may in terms of section 79 or 106 of the Act subdelegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such subdelegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

(2) The power to make a final award –

(a) above R10 million (VAT included) may not be subdelegated by the accounting officer;

(b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be subdelegated but only to –
   (i) the chief financial officer;
   (ii) a senior manager; or
   (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(c) not exceeding R2 million (VAT included) may be subdelegated but only to –
   (i) the chief financial officer;
   (ii) a senior manager;
   (iii) a manager directly accountable to the chief financial officer or a senior manager; or
   (iv) a bid adjudication committee.

(3) An official or bid adjudication committee to which the power to make final awards has been subdelegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–

(a) the amount of the award;

(b) the name of the person to whom the award was made; and

(c) the reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) must be submitted –

(a) to the accounting officer, in the case of an award by –

(i) the chief financial officer;

(ii) a senior manager; or

(iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

(b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –

(i) a manager referred to in subparagraph (2)(c)(iii); or

(ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

(5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been subdelegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

6. (1) The council reserves its right to maintain oversight over the implementation of this Policy.

(2) For the purposes of such oversight the accounting officer must –

(a) (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and

(ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

(3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

(4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management unit

7. (1) A supply chain management unit is hereby established to implement this Policy.

(2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

8. The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2
SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for –

(i) demand management;

(ii) acquisition management;

(iii) logistics management;

(iv) disposal management;

(v) risk management; and

(vi) performance management.

Part 1: Demand management

System of demand management

10. (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

(2) The demand management system must –

(a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;

(b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and

(c) provide for the compilation of the required specifications to ensure that its needs are met.

(d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Part 2: Acquisition management

System of acquisition management

11. (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –

(a) that goods and services are procured by the municipality in accordance with authorised processes only;

(b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;

(c) that the threshold values for the different procurement processes are complied with;

(d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and

(e) that any Treasury guidelines on acquisition management are properly taken into account.

(2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -

(a) the kind of goods or services; and

(b) the name of the supplier.

Range of procurement processes

12. (1) Goods and services may only be procured by way of –

(a) petty cash purchases, up to a transaction value of R2 000 (VAT included);

(b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);

(c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and

(d) a competitive bidding process for–

(i) procurements above a transaction value of R200 000 (VAT included); and

(ii) the procurement of long term contracts.

(2) The accounting officer may, in writing-

(a) lower, but not increase, the different threshold values specified in subparagraph (1); or

(b) direct that –

(i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

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

General preconditions for consideration of written quotations or bids

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

(a) has furnished that provider's –

(i) full name;

(ii) identification number or company or other registration number; and

(iii) tax reference number and VAT registration number, if any;

(b) has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and

(c) has indicated –

(i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers

14. (1) The accounting officer must –

(a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and

(b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

(c) specify the listing criteria for accredited prospective providers; and

(d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

Petty cash purchases

15. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –

15.1. GENERAL REQUIREMENTS/CONDITIONS

15.1.1 The petty cash requisition form must include:

a. Reasons for petty cash request;
b. Amount requested (not exceeding **R 3000** VAT incl.);
c. Vote number;
d. Person requesting an item; and
e. Person authorizing
f. Confirmation of funds available per specific department

15.1.2 The submission must be compiled with recommendation of the Head of Department of the Unit/delegated official concerned and then forwarded to the Chief Financial Officer/delegated finance official for approval.

15.1.3 Authority to recommend and approve submission by the Head of Department and Chief Financial Officer respectively may be delegated in writing and appointment letter must be attached to the petty cash documents concerned.

15.1.4 No purchases of goods or services may take place before the approval to use petty cash is granted by the Chief Financial Officer or the delegated official, except in the case of urgent and emergencies in which case the Head of Department will have to give permission to proceed with the transaction.

15.1.5 Urgent and emergency cases will be accommodated where immediate action is required to avoid a dangerous or life threatening situation, misery or want or any other cases which may require immediate action to be taken to proactively avoid a negative impact on service delivery.

15.1.6 Original invoices or cash slips must be submitted to the CFO's office after such purchases have taken place.

15.1.7 Failure by any official to submit the invoices or cash slips within the period of **5 days** from the date of such purchases may result in such total amount of purchases being recovered from the salary of the responsible official.

15.1.8 No item which is available on contract basis may be purchased by using petty cash except in the case of dire or critical need and the item is not available from the contracted suppliers / **suppliers registered on the suppliers database.**

15.1.9 Officials who intend to use their own money to do official purchases must first obtain approval from their Head of Departments prior to such purchases taking place, and no refund will be made to such official if approval was not granted in this regard (e.g toll fees etc).

15.1.10The **petty cash administrator/delegated finance official** must submit monthly reconciliation report to the Chief Financial Officer/delegated finance official, containing the total number and value of petty cash purchases for each month, including the opening balance and closing balance as well as the names of suppliers where goods and services have been purchased.

15.1.11 Certain types of transactions may be excluded (subject to the nature and circumstance of the particular expense) from the petty cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and traveling claims etc.

15.1.12 The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not each time be purchased by means of petty cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. food / lunch for meetings, coffee and milk for boardroom meetings, if those items are required on a regular basis.

15.1.13 The petty cash administrator/delegated finance official must ensure that all the petty cash requisitions are supported by slips/invoices.

15.2 ARRANGEMENT FOR SUBMISSIONS WITH REGARD TO THE REQUESTS TO UTILISE PETTY CASH

All submissions regarding the request to utilize petty cash must be forwarded to the Finance department preferably two days before the date in which petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.

15.3 CUSTODY AND SAFEKEEPING OF PETTY CASH

The office and the safe where Petty Cash is maintained must always be locked and the keys must be kept in a safe place which is known by the custodian of the petty cash. If petty cash is lost, the official responsible for petty cash will be held liable.

15.4 ACCESS TO THE PETTY CASH

The use of petty cash should be freely accessible to all staff members provided that the correct processes have been followed. The petty cash administrator/delegated finance official is the only authorized staff member to issue petty cash.

15.5 REPLENISHMENT OF PETTY CASH

15.5.1 Where possible, petty cash will only be replenished if the petty cash has reached a minimum amount of **R500.** A petty cash amount of R3000 per month (subject to review) may be requested. A maximum amount of **R 5000 (subject to review)** will be kept in the petty cash office in order to minimize and avoid the risk relating to the theft and losses.

15.5.2 The petty cash administrator/delegated finance official prepares a voucher and submits the register and voucher to the Chief Financial Officer/delegated finance official who checks and authorizes the voucher to replenish petty cash

Written or verbal quotations

16. The conditions for the procurement of goods or services through written or verbal quotations, are as follows:

(a) Quotations must be obtained from at least 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 listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

(b) to the extent feasible, providers must be requested to submit such quotations in writing;

(c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;

(d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

(e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

Formal written price quotations

17. (1)The conditions for the procurement of goods or services through formal written price quotations, are as follows:

(a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;

(b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

(c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and

(d) the accounting officer must record the names of the potential providers and their written quotations.

(2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

18. (1) The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:

(a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;

(b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality;

(c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;

(d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a subdelegation;

(e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

(f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;

18.2 Internal procurement system to be followed

(a) appointed staff in various departments will create a requisition and give procurement seven days turnaround time in order to source and place an order from prospective suppliers except in instances such as accommodation, burial support and disaster.
(b) line managers will approve or disapprove the requisition. Budget section to check the budget then if available approves the requisition.
(c) procurement receives the approved requisition then invites quotations on rotational basis.
(d) procurement receives quotations, selects the supplier, places an order and also advises the requesting department of the order placed. Procurement may rotate orders appointed provided it is reasonable and to promote fairness. Procurement may also utilize databases in certain instances for e.g. transport i.e. taxis due to the nature and the dynamics of the municipality.
(e) upon receipt of goods the supplier must submit an invoice with the order number
(f) line managers from which the service was rendered must sign the invoice/GRN and forward to creditors so that payment to the supplier will be effected
(g) creditors section must verify all the supporting documents and make a payment within thirty days from the date which the invoice was received

Competitive bids

19. (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.

(2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

20. The procedures for the following stages of a competitive bidding process are as follows:

(a) Compilation of bidding documentation as detailed in paragraph 21;

(b) Public invitation of bids as detailed in paragraph 22;

(c) Site meetings or briefing sessions as detailed in paragraph 22;

(d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;

(e) Evaluation of bids as detailed in paragraph 28;

(f) Award of contracts as detailed in paragraph 29;

(g) Administration of contracts

  (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.

(h) Proper record keeping

  (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –

(a) take into account –

  (i) the general conditions of contract and any special conditions of contract, if specified;

  (ii) any Treasury guidelines on bid documentation; and

  (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

(b) include the preference points system to be used , BBBEE Codes of good practice as contemplated in the PPPFA Regulations,2017 and evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

(i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –

(aa) for the past three years; or

(bb) since their establishment if established during the past three years;

(ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

(iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

(iv) 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; and

(e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, is as follows:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and

(b) the information contained in a public advertisement, must include –

(i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;

(ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and

(ii) date, time and venue of any proposed site meetings or briefing sessions.;

(2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(3) Bids submitted must be sealed.

(4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

Procedure for handling, opening and recording of bids

23. The procedures for the handling, opening and recording of bids, are as follows:

(a) Bids–

(i) must be opened only in public;

(ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and

(iii) received after the closing time should not be considered and returned unopened immediately.

(b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

(c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(d) The accounting officer must –

(i) record in a register all bids received in time;

(ii) make the register available for public inspection; and

(iii) publish the entries in the register and the bid results on the website.

23.1 Upon opening of bids the following person must be present

(a) representative from the SCM unit or his/her delegate
(b) a representative from the Corporate services unit or his/her delegate
(c) a representative from the section from where tender is executed for

23.2 Once tender has been opened and read in public-

(a) Tender opening register must be furnished by the officials present at tender opening.
(b) SCM unit must keep tender documents
(c) SCM unit must notify the Bid Evaluation Committee in order to arrange for a seat down to evaluate tenders
(d) SCM unit must compile Bid Register for all bids that are issued by the municipality.

Negotiations with preferred bidders

24. (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

(a) does not allow any preferred bidder a second or unfair opportunity;

(b) is not to the detriment of any other bidder; and

(c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

Two-stage bidding process

25. (1) A two-stage bidding process is allowed for –

(a) large complex projects;

(b) projects where it may be undesirable to prepare complete detailed technical specifications; or

(c) long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

(3) In the second stage final technical proposals and priced bids should be invited.

Committee system for competitive bids

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:

(a) a bid specification committee;

(b) a bid evaluation committee; and

(c) a bid adjudication committee;

(2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

(3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

(a) paragraph 27, 28 and 29 of this Policy; and
(b) any other applicable legislation.

(5) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.

(2) Specifications –

(a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
(b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
(c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
(d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
(e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

(f) must indicate each specific BBBEE Codes of good practice for which points may be awarded in terms of the points system set out in the PPPFA Regulations 2017; and

(g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

(3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

(4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

Bid evaluation committees

28. (1) A bid evaluation committee must –

(a) evaluate bids in accordance with –

  (i) the specifications for a specific procurement; and

  (ii) the points system set out in terms of paragraph 27(2)(f).

(b) evaluate each bidder's ability to execute the contract;

(c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

(d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

(a) officials from departments requiring the goods or services; and

(b) at least one supply chain management practitioner of the municipality.

Bid adjudication committees

29. (1) A bid adjudication committee must –

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either –

(i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or

(ii) make another recommendation to the accounting officer on how to proceed with the relevant procurement.

(2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include –

(a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and

(b) at least one senior supply chain management practitioner who is an official of the municipality; and

(c) a technical expert in the relevant field who is an official, if such an expert exists.

(3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;

(ii) notify the accounting officer.

(b) The accounting officer may –

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and

(ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(7) The accounting officer must comply with section 114 of the Act within 10 working days

Procurement of banking services

30. (1) A contract for banking services –

(a) must be procured through competitive bids;

(b) must be consistent with section 7 or 85 of the Act; and

(c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

31. (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3) The accounting officer must notify SITA together with a motivation of the IT needs if –

(a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

(b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

(4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

Procurement of goods and services under contracts secured by other organs of state

32. (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

(a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

(b) there is no reason to believe that such contract was not validly procured;

(c) there are demonstrable discounts or benefits to do so; and

(d) that other organ of state and the provider have consented to such procurement in writing.

(2) Subparagraphs (1)(c) and (d) do not apply if –

(a) a municipal entity procures goods or services through a contract secured by its parent municipality; or

(b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

Proudly SA Campaign

34. The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from within the boundaries of South Africa.

Appointment of consultants

35. (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if

(a) the value of the contract exceeds R200 000 (VAT included); or

(b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

(a) all consultancy services provided to an organ of state in the last five years; and

(b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

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

36. (1) The accounting officer may –

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

(i) in an emergency;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

Unsolicited bids

37. (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

(a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

(c) the person who made the bid is the sole provider of the product or service; and

(d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

(3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

(a) reasons as to why the bid should not be open to other competitors;

(b) an explanation of the potential benefits if the unsolicited bid were accepted; and

(c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the adjudication committee must take into account –

(a) any comments submitted by the public; and

(b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.

(8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

(9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

38. (1) The accounting officer must–

(a) take all reasonable steps to prevent abuse of the supply chain management system;

(b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –

  (i) take appropriate steps against such official or other role player; or

  (ii) report any alleged criminal conduct to the South African Police Service;

(c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

(d) reject any bid from a bidder–

  (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or

  (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

(f) cancel a contract awarded to a person if –

(i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(g) reject the bid of any bidder if that bidder or any of its directors –

(i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;

(ii) has been convicted for fraud or corruption during the past five years;

(iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

(iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

39. The accounting officer must establish and implement an effective system of logistics management, which must include -

(a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

(b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

(c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;

(d) before payment is approved , certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

(e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

(f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

(g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

40. (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

(2) Assets may be disposed of by –

(i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

(ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

(iii) selling the asset; or

(iv) destroying the asset.

(3) The accounting officer must ensure that –

(a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

(b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;

(c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

(d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

(e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

(f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

(g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

(h) immovable assets may only be rented/let out if the property zoning and usage in terms of the Kwazulu-Natal Planning and Development Act No. 6 of 2008 allows that, or any municipality's relevant regulations and policies provide for the renting/letting of properties.

(i) Movable assets may only be rented/let out if the relevant municipal regulations or policy provide for that.

Risk management

41. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as per the adopted risk management policy.

(2) Risk management must include –

(a) the identification of risks on a case-by-case basis;

(b) the allocation of risks to the party best suited to manage such risks;

(c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

(e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

42. The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

Prohibition on awards to persons whose tax matters are not in order

43. (1) No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order. (refer to National Treasury MFMA Circular No.29)

(2) Before making an award to a person the accounting officer must first check with SARS whether that person’s tax matters are in order.

(3) If SARS does not respond within 7 days such person’s tax matters may for purposes of subparagraph (1) be presumed to be in order.

Prohibition on awards to persons in the service of the state

44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

(a) who is in the service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) a person who is an advisor or consultant contracted with the municipality.

Awards to close family members of persons in the service of the state

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

(a) the name of that person;

(b) the capacity in which that person is in the service of the state; and

(c) the amount of the award.

Ethical standards

46. (1) A code of ethical standards as set out in the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management (Annexure A) is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –

(a) mutual trust and respect; and

(b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) A breach of the code of ethics must be dealt with as follows -

(a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;

(b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.

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

Inducements, rewards, gifts and favours to municipalities, officials and other role players

47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

(a) any inducement or reward to the municipality for or in connection with the award of a contract; or

(b) any reward, gift, favour or hospitality to –

(i) any official; or

(ii) any other role player involved in the implementation of this Policy.

(2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

(a) a provider or prospective provider of goods or services; or

(b) a recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

49. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

(a) to assist in the resolution of disputes between the municipality and other persons regarding -

  (i) any decisions or actions taken in the implementation of the supply chain management system; or

  (ii) any matter arising from a contract awarded in the course of the supply chain management system; or

(b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must –

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

(a) the dispute, objection, complaint or query is not resolved within 60 days; or

(b) no response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

51. If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

(a) a cap on the compensation payable to the service provider; and

(d) that such compensation must be performance based.

Commencement

52. This Policy comes into operation with immediate effect.

Annexure A

UMZUMBE MUNICIPALITY

CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

In accordance with regulation 46(4) and 46(5) of the Local Government Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations, the supply chain management policy of a municipality or municipal entity is required take into account the National Treasury's code of conduct for supply chain management practitioners and other role players. Alternatively a municipality or municipal entity may adopt the National Treasury code of conduct. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity.

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

1. General Principles

1.1 The municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

1.2 Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

1.3 Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

2. Conflict of interest

2.1 An official or other role player involved with supply chain management –

(a) must treat all providers and potential providers equitably;
(b) may not use his or her position for private gain or to improperly benefit another person;
(c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
(d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
(e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the municipality ;
(f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
(g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
(h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
(i) should not take improper advantage of their previous office after leaving their official position.

3. Accountability

3.1 Practitioners are accountable for their decisions and actions to the public.

3.2 Practitioners should use public property scrupulously.

3.3 Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.

3.4 All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

3.5 Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including

(i) any alleged fraud, corruption, favouritism or unfair conduct;

(ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and

(iii) any alleged breach of this code of conduct.

3.7 Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

4. Openness

4.1 Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

5. Confidentiality

5.1 Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.

5.2 Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

6. Bid Specification / Evaluation / Adjudication Committees

6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

6.2. Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

6.3 All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

6.4 No person should-

6.4.1 interfere with the supply chain management system of the municipality; or

6.4.2 amend or tamper with any price quotation / bid after its submission.

7. Combative Practices

7.1 Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

(i) Suggestions to fictitious lower quotations;

(ii) Reference to non-existent competition;

(iii) Exploiting errors in price quotations / bids;

(iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

KZN213 - Schedule of Service Delivery Standards Table XX

Description Standard	Service Level
Solid Waste Removal	
Premise based removal (Residential Frequency)	N/A
Premise based removal (Business Frequency)	N/A
Bulk Removal (Frequency)	N/A
Removal Bags provided(Yes/No)	N/A
Garden refuse removal Included (Yes/No)	N/A
Street Cleaning Frequency in CBD	N/A
Street Cleaning Frequency in areas excluding CBD	N/A
How soon are public areas cleaned after events (24hours/48hours/longer)	N/A
Clearing of illegal dumping (24hours/48hours/longer)	N/A
Recycling or environmentally friendly practices(Yes/No)	N/A
Licenced landfill site(Yes/No)	N/A
Water Service	
Water Quality rating (Blue/Green/Brown/N0 drop)	N/A
Is free water available to all? (All/only to the indigent consumers)	N/A
Frequency of meter reading? (per month, per year)	N/A
Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)	N/A
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A
Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)	
One service connection affected (number of hours)	N/A
Up to 5 service connection affected (number of hours)	N/A
Up to 20 service connection affected (number of hours)	N/A
Feeder pipe larger than 800mm (number of hours)	N/A
What is the average minimum water flow in your municipality?	N/A
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	N/A
How long does it take to replace faulty water meters? (days)	N/A
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	N/A
Electricity Service	

What is your electricity availability percentage on average per month?	N/A
Do your municipality have a ripple control in place that is operational? (Yes/No)	N/A
How much do you estimate is the cost saving in utilizing the ripple control system?	N/A
What is the frequency of meters being read? (per month, per year)	N/A
Are estimated consumption calculated at consumption over (two month's/three month's/longer period)	N/A
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A
Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)	N/A
Are accounts normally calculated on actual readings? (Yes/no)	N/A
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	N/A
How long does it take to replace faulty meters? (days)	N/A
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	N/A
How effective is the action plan in curbing line losses? (Good/Bad)	N/A
How soon does the municipality provide a quotation to a customer upon a written request? (days)	N/A
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	N/A
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	N/A
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	N/A
Sewerage Service	
Are your purification system effective enough to put water back in to the system after purification?	N/A
To what extend do you subsidize your indigent consumers?	N/A
How long does it take to restore sewerage breakages on average	
Severe overflow? (hours)	N/A
Sewer blocked pipes: Large pipes? (Hours)	N/A
Sewer blocked pipes: Small pipes? (Hours)	N/A
Spillage clean-up? (hours)	N/A
Replacement of manhole covers? (Hours)	N/A
Road Infrastructure Services	
Time taken to repair a single pothole on a major road? (Hours)	N/A
Time taken to repair a single pothole on a minor road? (Hours)	N/A
Time taken to repair a road following an open trench service crossing? (Hours)	N/A
Time taken to repair walkways? (Hours)	N/A

Property valuations	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	Three months
Do you have any special rating properties? (Yes/No)	No
Financial Management	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	No
Are there Council adopted business process tsructuing the flow and managemet of documentation feeding to Trial Balalnce?	Yes
How long does it take for an Tax/Invoice to be paid from the date it has been received?	30 Days
Is there advance planning from SCM unit linking all departmental plans quaterly and annualy including for the next two to three years procurement plans?	Yes
Administration	
Reaction time on enquiries and requests?	2 days
Time to respond to a verbal customer enquiry or request? (working days)	Promptly
Time to respond to a written customer enquiry or request? (working days)	1 day
Time to resolve a customer enquiry or request? (working days)	1 day
What percentage of calls are not answered? (5%,10% or more)	N/A
How long does it take to respond to voice mails? (hours)	N/A
Does the municipality have control over locked enquiries? (Yes/No)	Yes
Is there a reduction in the number of complaints or not? (Yes/No)	Yes
How long does in take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	1 day
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	4 times per month
Community safety and licensing services	
How long does it take to register a vehicle? (minutes)	N/A
How long does it take to renew a vehicle license? (minutes)	N/A
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	N/A
How long does it take to de-register a vehicle? (minutes)	N/A
How long does it take to renew a drivers license? (minutes)	N/A
What is the average reaction time of the fire service to an incident? (minutes)	Depends on the Location. But the municipality reacts immediately upon receiving the report.
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	N/A

What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	N/A
Economic development	
How many economic development projects does the municipality drive?	20
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	10
What percentage of the projects have created sustainable job security?	
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	Yes (LED Strategy, SDF, IDP, Tourism Strategy)
Other Service delivery and communication	
Is a information package handed to the new customer? (Yes/No)	Yes
Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes
Are customers treated in a professional and humanly manner? (Yes/No)	Yes