MOGALAKWENA LOCAL MUNICIPALITY

FINAL AMENDED BUDGET RELATED POLICIES 2024/2025

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ANNEXURE A

Unclaimed Deposits Policy
Effective from 1 July 2024

Reviewed / Approved By	Date	Signatures
Chief Financial Officer		
Municipal Manager		
Council		

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Abbreviations

MLM	Mogalakwena Local Municipality
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practise
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
SDBIP	Service Delivery and Budget Implementation Plan
VAT	Value Added Tax

1 DEFINITIONS

1.1 **''Council''** means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

1.2 **''Creditor''** means a person to whom money is owed to by the municipality.

1.3 **''Customer''** means any person comprising:

1.3.2 Resident of the municipality;

1.3.3 Ratepayer of the municipality;

1.3.4 Any civic organization involved in the municipality; and/or

1.3.5 Any visitor or other people who make use of services or facilities provided by the municipality.

1.3.6 "Prescription Act'' refers to the Prescription Act No. 68 of 1969.

1.3.7 "Prescription Period" refers to section 11 of the "Prescription Act" where by a period of three (3) years will be applicable.

1.4 **"Primary bank account''** means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

1.5 **''Register''** means the official register kept to receipt all unclaimed deposits.

1.6 **"Municipality''** means the Mogalakwena Local Municipality established in terms of section 155 of the Constitution.

1.7 **"VAT"** means Value Added Taxation.

1.8 **"SARS"** means the South African Revenue Service

2 INTRODUCTION

Revenue management involves all the procedures necessary to ensure that the income of the municipality is properly planned and fully accounted for, and that cash once received is safeguarded and banked promptly.

2.1 In terms of Section 64 (2) (e) (Revenue Management) of the Municipal Finance Management Act, Act 56 of 2003; "the municipality has and maintains a management accounting and information system which-

2.1.1 Recognises revenue when it is earned;

2.1.2 Accounts for debtors; and

2.1.3 Accounts for receipts of revenue;

Unclaimed monies are a challenge faced by the municipality where monies are deposited into the municipal primary bank account which cannot be identified nor are claimed by any

consumer or creditor of the municipality.

2.2 Monies are unclaimed for various reasons and commonly arise amongst other things from the following:

2.2.1 Monies deposited into the municipal bank account without any reference or documentary proof.

2.2.2 Amounts/deposits payable to consumers or creditors which were either not claimed or banked.

2.2.3 Creditors/consumers are unaware of their legal right to the monies.

2.2.4 Deposits cannot be identified and allocated to an account or vote.

2.2.5 Deposits paid for utilisation of facilities not claimed by customer.

3 OBJECTIVES OF THE POLICY

3.1 The objectives of the policy are to:

3.1.1 To provide a framework on how to deal with unknown or unclaimed deposits in the municipal bank account.

3.1.2 To reduce the liability of the municipality.

3.1.3 To provide guidelines to identify unidentified deposits in the municipal bank account.

4 LEGISLATIVE FRAMEWORK

Local Government Municipal Finance Act, 56 of 2003.

5 IDENTIFICATION OF UNCLAIMED DEPOSITS

5.1 An unclaimed direct deposit is any amount of money legally paid into the municipal bank account without any traceable reference or documentary proof on how the deposits should be allocated and that remains unclaimed for a period of three (3) months.

5.2 Unclaimed deposits are any specified amounts of money legally payable to a creditor and that have not been claimed or banked within a period of three (3) months.

5.3 An unclaimed deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which have not been claimed within a period of three (3) months.

6 REGISTER OF UNCLAIMED DEPOSITS

6.1 After all processes to identify the unallocated deposits have been exhausted and the period as mentioned in section 5 of this policy has expired all unclaimed and/or unallocated deposits will be receipted in a register kept by the municipality and reconciled monthly.

6.2 The register will be maintained and updated regularly and be kept for a period of three (3) years.

6.3 After the unclaimed and/or unallocated deposits have been deposited in the register the rightful owner thereof can claim the deposits within a period of three (3) years from date the deposits were deposited or become unclaimed subject to documentary proof being provided by the claimant of the deposits.

6.4 The value of unclaimed deposits and/or unallocated direct deposits will be recognized as a liability in the financial statements of the municipality.

7. UNCLAIMED DEPOSITS TO BE PAID AS PUBLIC REVENUE

Should unclaimed deposits not be claimed within the period of three (3) years ("Prescription Period") the deposits will be written off from the register and be receipted as revenue in that financial year and accordingly declaring output VAT and paying it over to SARS.

7.1 Prescription Act, Section 10 states:

(1) Subject to the provisions of this Chapter and of Chapter IV, a Debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant laws applies in respect of the prescription of such Debt.
(2) By the prescription of a principal debt a subsidiary debt which arose from such principal debt shall also be extinguished by prescription.
(3) Notwithstanding the provisions of subsection (1) and (2) payment by the Debtor of a debt after it has been extinguished by prescription in terms of either of the said subsections, shall be regarded as payment of debt.

7.2 Section 11 states that the periods of prescription of Debts shall be the following:

(d) *Save where an Act of Parliament provides otherwise, three years in respect of any other Debt.*

8. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and the operating requirements of the municipality.

9. SHORT TITLE

This policy shall be called the Unclaimed Deposits Policy of the Mogalakwena Local Municipality.

ANNEXURE B

Accounting Policies to Annual Financial Statements

Effective from 1 July 2024

Reviewed / Approved By	Date	Signatures
Chief Financial Officer		
Municipal Manager		
Council		

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior period annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note Changes in accounting policies.

These standards are summarised as follows:

Reference	Topic
GRAP Frame work	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets

Reference	Topic
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IFRS 4	Insurance contracts
IAS 12	Income taxes
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where ~~a~~ Grantor Controls ~~a~~ Significant Residual Interest

Reference	Topic
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IFRIC 12	Service Concession Arrangements
SIC 25	Income Taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure Service Concession
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 3	Amended Transitional Provisions for High-Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Guideline	Accounting for Arrangements Undertaken into the National Housing Programme
Guideline	Accounting for Landfill Sites
Guideline	The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

2. NEW STANDARDS AND INTERPRETATIONS

Standards, amendments to standards and interpretations effective and adopted in the current year

No new Standards have been adopted.

Standards, amendments to standards and interpretations issued, but not yet effective

GRAP 25 on Employee Benefits and effective date for the reporting periods has not yet been set. The ASB agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The ASB decisions to depart are explained in the basis for conclusions. The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

GRAP 104 on Financial Instruments and effective date for the reporting periods has not yet

been set. Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued (IFRS®) Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised IPSAS in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

All other standards as listed above will only be effective on the date it is announced by the Minister of Finance.

The Accounting Standards Board Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

3. PRESENTATION CURRENCY

These audited annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

4. GOING CONCERN ASSUMPTION

These audited annual financial statements have been prepared on a going concern basis.

5. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6. COMPARATIVE OF ACTUAL INFORMATION TO BUDGETED INFORMATION

Current year comparatives

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations (MBRR). The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts, based on the classifications as contained in the A Schedule, specifically Table A1 – Budget Summary. Actual performance is expressed based the budget classifications as contained in Budget Schedule A, table A1. A reconciliation of the base as presented in the Statement of Financial Performance and Cash Flow Statement is presented in the notes.

Explanatory comment is provided in the notes to the unaudited annual financial statements giving motivations for over- or under spending on line items where it is found to be material. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the unaudited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

The annual budget figures included in the unaudited annual financial statements are for the municipality. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2022 to 30 June 2023.

Prior year comparatives

The comparative figures of one prior period are disclosed, where required. When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are restated. The nature and reasons for the reclassification are disclosed.

7. HOUSING DEVELOPMENT RESERVE

The Housing development fund was established in terms of the Housing Act (Act No. 107 of 1997).

Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of section 14(4)(d)(iii) (aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development, development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with
- the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.

- Any contributions to or from the fund must be shown as transfers in the Statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year in the Statement of Financial Performance.

Un-realized housing proceeds

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

8. INTERNAL RESERVES AND REVALUATION RESERVE

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non- distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus
/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

9. PROVISIONS

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting

from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure and post monitoring cost, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

10. PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non- monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components} of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent values every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight- line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The

depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Asset class	Useful lives as applied in the AR (years)
Infrastructure	
Roads and storm water	5-100
Electricity	5-75
Water	5-100
Sewerage	5-100
Solid Waste	5-100
Buildings, structures and facilities	
Buildings	30-50
Recreational and sports facilities	5-100
Parks, gardens and cemeteries	5-100
Housing assets	30-50
Other structures and facilities	
Parks, gardens and facilities	5-100
Parking structures	30-50
Other structures	5-50
Communication assets	30-50
Leasehold improvements	30-50
Containerized structures	5-50
Other assets	
Transport Assets	5-20
Computer and other office equipment	3-10
Furniture & fittings	5-10
Machinery and equipment	5-10

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset have changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Historical reviews have impacted the lives of the assets. The following table indicates the impact on the actual lives of the assets as a result of historical reviews and adjustments made:

Asset class	Useful lives as applied in the AR (years)
Infrastructure	
Roads and storm water	5-100
Electricity	5-100
Water	5-140
Sewerage	5-120
Solid Waste	5-100
Buildings	
Buildings	1-60
Recreational and sports facilities	1-100
Resorts	1-100
Housing assets	1-60
Other structures and facilities	
Parks, gardens and facilities	1-100
Parking structures	30-50
Other structures	5-50
Communication assets	30-50
Leasehold improvements	30-50
Containerized structures	5-50
Other assets	
Transport Assets	5-35
Computer and other office equipment	3-45
Furniture & fittings	5-45
Machinery and equipment	5-50

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

11. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance held for use

in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

12. INVESTMENT PROPERTY

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

13. HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore, land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as heritage asset, but of which a

significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, should be recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as heritage assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

De-recognition of heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no

future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

14. INVENTORY

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised In the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory were sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position. The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Land inventory for housing projects

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

In terms of the guideline, land currently controlled by the municipality and recognised as either

property, plant and equipment or investment property, that has been designated for the purposes of a housing development - in terms of Council's approved housing pipeline projects - meets the definition of inventory and requires reclassification to inventory.

The municipality only reclassifies the portion of land that it would not control after entering into an arrangement with the provincial Department of Human Settlements, to inventory.

Once the township development is completed, revisions that may need to be made to the values of the land initially reclassified as inventory is treated as a change in accounting estimate in terms of GRAP 3.

The carrying amount of the land up until the date of reclassification, as determined in accordance with the accounting policy of property, plant and equipment or investment property, is the cost amount on the date of reclassification.

Land inventory is derecognised once an agreement has been entered into with the provincial Department of Human Settlement, that passed control to the department.

15. LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation, whilst non- living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources, other than land, are not be recognised as assets.

A living resource is regarded as an asset when the municipality controls the right or access to future economic benefits or service potential of the resource. This is done by considering whether the following indicators that conclude that control, exists:

- The intervention by a municipality in the management of the physical condition of the living resource.
- The ability to restrict the movement of living resource.
- The ability to direct the use of the living resource.

The municipality is in terms of its mandate responsible for management and/or conservation of the environment as a whole, inclusive of natural resources such as plants and trees within parks and recreational facilities, but it does not manage the physical condition of each individual plant within that environment. As a result, the municipality concludes that it does not control these trees and plants as living resources and does not regard them as separate assets.

Water rights are disclosed as non-living resources.

16. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, INTANGIBLE ASSETS AND HERITAGE ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating

assets.

Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash- generating unit to which the asset belongs is determined.

The recoverable service amount ls the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

17. EMPLOYEE BENEFITS

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non- accumulating benefits which are only recognised when

the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.
Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its

employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.
Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multiemployer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Provision for bonus

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

18. LEASES

Lease classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the

effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

19. BORROWING COSTS

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

20. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

Classification of financial instruments financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non- current assets.

Financial assets measured at fair value being financial assets that meet either of the following

conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of financial asset	**Classification in terms of GRAP 104**
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Short-term loans	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial recognition and measurement financial assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

Financial liabilities:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of financial performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest-bearing debt including finance lease liabilities, non-interest-bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that

they are not settled in the period that they arise.

Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly

Long-term debtors

Other long-term loans

No provision for impairment is made for Other long-term loans, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment. The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does

not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

21. STATUTORY RECEIVABLES

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables;
- Rates debtors;
- Traffic fine debtors;
- Availability charges debtors;
  - Electricity;
  - Water;
  - Waste; and
  - Waste water.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be

measured reliably.

Measurement

The municipality initially measures statutory receivables at their transaction amount. The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognized

Impairment of statutory receivables

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Rate debtors and availability charge debtors

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Traffic fine debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the

extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of statutory receivables

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

22. REVENUE

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in

exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from exchange transactions Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year- end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. Basic fees are calculated per the size of connection.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of pre-paid electricity is recognised at the point of sale. Revenue from the sale of prepaid electricity is recognised based on an estimate of the pre-paid electricity consumed as at the reporting date.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from non-exchange transactions Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced

by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government grants and receipts

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants and receipts

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or

service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

23. ACCOUNTING BY PRINCIPLE AND AGENTS

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

24. HOUSING ARRANGEMENTS

The ASB issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Top structures

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality’s behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Other transactions related to housing arrangements:

Other transactions may also arise from the Housing Arrangements and fall within the ambit of GRAP 11: Construction Contracts, others with GRAP 9: Revenue from Exchange Transactions, GRAP 23: Revenue from Non-exchange Transactions and GRAP 109: Principal Agent Arrangements.

- Income from grants pertaining to the planning and construction of civil services of a project is considered to be grants and subsidies in terms of GRAP 23: Revenue from Non-exchange transactions.
- Receipts directly attributable to the administration of beneficiaries are accounted for under Operational Revenue as Housing services rendered in terms of GRAP 9: Revenue from Exchange Transactions.
- Receipts that are received to register the title deed in the name of the beneficiary are regarded as receipts and payments on behalf of the beneficiaries in terms of GRAP 109: Principal Agent Arrangements, and as such the municipality is regarded as an agent.

25. VALUE ADDED TAX

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

26. GRANTS AND SUBSIDIES PAID

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the audited annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

27. UNAUTHORISED EXPENDITURE

Section 1 of the MFMA, defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

- Section 1 of the MFMA also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective management as well as per mSCOA classification to facilitate comparisons on a higher level.

28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

30. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at

the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

31. CHANGE IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

32. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Mayor, Mayoral Committee members, Municipal Manager, Senior Managers and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity. Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

33. EVENTS AFTER REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the audited annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the audited annual financial statements.

34. CONTIGENT ASSETS AND CONTIGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.
Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

35. SEGMENTAL REPORTING

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

The reportable segments identified are those functional segments reported in the mSCOA format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The mSCOA format allows for universal comparability of segments. The main factors considered in selecting the segments were the

level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The municipality manages its assets and liability as a whole. Only capital expenditure is reviewed based on the location. All other asset and liability management techniques are focused on the asset base as a whole rather than the asset and liability management for a specific area. Service delivery staff are organised in such a manner that service delivery takes place timeously in each town, but it's not a strategic principle to organise assets and liabilities in such a manner that each town is its own small economic/service delivery unit that can operate separately from the rest of the organisation. Segment reporting per geographic area is therefore not deemed relevant.

The assets and liabilities are not reviewed at all on a segregated basis.

The reporting measurement basis for the management reports is the same as that of the annual financial statements.

Key judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in the audited annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these audited annual financial statements.

In preparation of the audited annual financial statements materiality has been considered in:

- Deciding what to report in the audited annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the audited annual

financial statements

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – Municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – Municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Classification of property as held for strategic purposes

The municipality classifies vacant land that is earmarked for future development in terms of the municipality's Spatial Development Framework, as property, plant and equipment, rather than investment property.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult are as follow:

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

Determination of repairs and maintenance cost

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of receivables

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

Valuation of financial assets at fair value

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Assessment of control over land

Land is regarded under control of the municipality, where it holds legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land (substantive rights).

Land for which the municipality holds legal title, but is not recognised as under its control, include properties under the house selling schemes, or where a transfer/sales agreement has been entered into with a prospective buyer/transferee, that obtains the right control by means of a binding agreement, if specified that by that agreement that the right transfers before legal title transfers.

Land for which the municipality does not hold legal title or have custodian of land appointed in terms of legislation, but which is recognised as under the control of the municipality, are in instances where the municipality has existing infrastructure such as substations or waste water treatment works or permanent facilities, such as office buildings and community facilities, that it receives the sole economic and service potential from.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments**.**

Valuation of land and buildings and fair value estimations of investment property

Land and buildings were valued and the fair value of investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash Generating Assets and GRAP 26: Impairment of non- cash generating assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental
obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the

management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non- exchange Transactions.

In particular, in regard to revenue form exchange revenue - when goods are sold, whether the management had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement.

Budget information

Management assumes variance between budget and actual amounts to be material when a variance of more than 10% exists. All material differences are explained in the notes to the audited annual financial statements.

Management also calculates and supplies some estimates to the calculation of:

- Water inventory;
- Bonus provision accrual;
- Performance bonus accrual;
- Staff leave accrual; and Prepaid electricity accrual.

ANNEXURE C

Cash & Investment Management Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signatures
Chief Financial Officer		
Municipal Manager		
Council		

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1. DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means: -

1.1 "**Accounting Officer**" is a person appointed by the Municipality in terms of Section 82 of the Local Government: Municipal Structure Act, 1998 (Act No. 117 of 1998) and who is the head of administration and also the Municipal Manager for the Municipality;

1.2 **"Cashiers"** are any municipal official appointed to receive cash or any other form of payment(s) on behalf of Mogalakwena Local Municipality at any of the receipting points within Mogalakwena Local Municipality area.

1.3 "**Chief Financial Officer**" is an officer of the municipality appointed as the Head of the Finance Department and includes any person –

(a) Acting in such position; and

(b) To whom the Chief Financial Officer has delegated a power, function or duty in respective of such a delegated power, function or duty;

1.4 "**Council**" or "**Municipal Council**" is a Municipal Council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and for purposes of this policy, the Municipal Council of the Mogalakwena Local Municipality;

1.5 "**Councillor**" is a member of the Municipal Council;

1.6 "**Investments**" is funds not immediately required for the defraying of expenses and invested at approved financial institutions;

1.7 **"Municipal Manager**" is the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person –

(a) Acting in such position; and

(b) To whom the Municipal Manager has delegated a power, function or duty in respective of such a delegated power, function or duty;

1.8 "**Municipality**" is the institution that is responsible for the collection of funds and the provision of services to the customers of Mogalakwena Local Municipality; and

1.9 **"Municipal Official or Official"** any employee of the Mogalakwena Local Municipality;

1.10 "**Public funds**" are all monies received by the municipality to perform the functions allocated to them.

2. LEGAL FRAMEWORK

2.1 The Cash & Investment Management Policy is in accordance with the requirements of section 13 of the Municipal Finance Management Act and any further prescriptions made by the Minister of Finance.

2.2 The municipality shall at all times conduct its Cash and Investment Management Policy in compliance with the provisions and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

2.3 The Local Government: Municipal Finance Management Act Municipal Investment Regulations have been promulgated and have effect as from 1 April 2005.

3. INVESTMENT POLICY OBJECTIVES

3.1 Mogalakwena Local Municipality's main objectives of this Policy are –

(a) To ensure compliance with the relevant legal and statutory requirements relating to cash management;

(b) To ensure the preservation and safety of the municipality's investments;

(c) To ensure diversification of the municipality's investment portfolio across acceptable investees, permitted types of investments and investment maturities;

(d) To ensure timeous reporting of the investment portfolio as required by the Act in accordance with Generally Recognised Accounting Practice (GRAP); and

(e) To ensure that the liquidity needs of the municipality are properly addressed.

3.2 This Policy is aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenue is not needed for capital or operational purposes. The effectiveness of the Policy is dependent on the accuracy of the municipality's cash management programme, which has to identify the time when and period, for which such revenues are surplus.

3.3 It is Council's responsibility as a trustee of the community's revenue, to ensure that the money that is not immediately required should be invested in order to optimise the funds available to the municipality and cash resources are effectively and efficiently managed.

4. CASH MANAGEMENT

4.1 Bank Account Administration: (MFMA – Section 7, 8, 9 and 10)

4.1.1 Cash Management:

All cash that has been receipted at all receipting points within the Mogalakwena Local Municipality area are deposited into the current primary bank account the following working day.

(a) Cash Surpluses and Shortages

(i) Surpluses: Cash Surpluses on hand after daily balancing of cashiers is to be paid in the next working day into a surplus vote number.

(ii) Shortages: Shortages with a value of R100 or less must be paid in by the cashier at end of their daily shifts. Amounts greater than R100 gets deducted once off from their next salary payment.

4.1.2 Delegations / Rights:

The incumbents of the following post are authorised to approve Electronic Fund Transfers (EFT's) payments on behalf of Council.

(a) Electronic Fund Transfers:
A-Signatories: Municipal Manager;
Chief Financial Officer;
Deputy Chief Financial Officer
B-Signatories: Divisional Head: Budget and treasury, Revenue and Expenditure. Divisional Head: Financial Statements, Reporting and Cash Management; Divisional Head: Assets Management. Chief Accountant: Financial Statements & Reporting; Chief Accountant: Budgets; Chief Accountant: Creditors Administration; Chief Accountant: Cash Management; Chief Accountant: Immovable Assets; Chief Accountant: Water & Electricity Billing; Chief Accountant: Property Rates, Sundries, Housing & Pre- Paid Billing; and Chief Accountant: Credit Control, Customer Care, Indigent Support & Revenue Protection.

(b) Petty Cash:

Petty cashiers receive an amount (float) to reimburse employees for expenditure to a maximum amount as set out in the Petty Cash Policy.

(c) Control over bank accounts:

The Municipal Manager will in writing authorise the Chief Financial Officer or any other senior financial official of the Municipality to exercise control over the investment or withdrawal of funds in any bank account of the Municipality.

(d) Receipting of money:

The following persons or institutions have delegated power to receive money on Council's behalf –

(i) Officials acting as municipal cashiers through the receiving of cash and other payment

instruments at all receipting points within the Mogalakwena Local Municipality area; and

(ii) 3rd Party Vendors as contracted as listed in Annexure A: Contracted 3rd Party Vendors.

Management will have the delegated right to review and amend Annexure A on an annual basis provided that all amendments must be reported to Council.

4.1.3 Private money:

No municipal employee is allowed to –

(a) Use Council's cash funds at any stage to be replaced at a later stage; and

(b) Safeguard private money amongst Council's cash (e.g. Cashier drawers, petty cash boxes, and safes, etcetera).

4.1.4 Management of cash flow:

The Chief Financial Officer shall maintain a cash flow system, and ensure that funds not immediately required are invested as required. All Departments or Directorates shall in this regard furnish the Chief Financial Officer with their respective cash flow needs on a monthly basis, clearly indicating possible future dates of payments, as well as any possible inflow of cash from other sources of finance arranged by Departments themselves.

4.1.5 Working Capital:

The provision for doubtful debts is calculated on a probability basis, which takes the following factors into account: Debtor type, age of debt, number of cut-offs, whether the debtors has been handed over as well as the ownership status.

4.1.6 Cashier Floats

Cashiers receive an amount (float) which needs to be returned to the municipality at the end of each their individual shifts. These floats are used to give change to consumer after paying their municipal accounts, motor registrations, fines, etc.

Floats currently allocated:

- Supervisor (Chief Clerk): Float of R1,500 each;
- Cash Management Cashiers: Float of R500 each;
- Traffic Department Supervisor (Senior Clerk): Float of R2 000 each;
- Library Cashiers: Float of R500 each (except Simondium, Gouda, Saron and Hermon Library which has a R100 float);
- Swimming Pool Cashiers (in Season only): Float of R200 each; and
- Resorts Cashiers: Float of R500 each.

5. STANDARDS OF ETHICS, JUDGEMENT AND DUE CARE

5.1 In dealing with financial institutions, the following ethical principles must be observed –

(a) The Chief Financial Officer shall not accede to any influence by or interference from councillors, investment agents, institutions or any other outsiders and will take

reasonable steps to ensure the diversity of its investment portfolio across investees, type of investments and investment maturity;

(b) All investments made must be genuine investments and not investments made for speculation purposes;

(c) All investments made on behalf of Mogalakwena Local Municipality must be made in the name of the Municipality;

(d) Under no circumstances may inducements to invest be accepted;

(e) The CFO or any delegated official shall not as a general rule discuss nor disclose interest rates quoted by one institution to another institution while the investment transaction is in progress or any information regarding the current cash position or its projected future cash flows of the municipality to investees. After the transaction has been finalised, limited information such as interest rates quoted by one institution may be disclosed to another institution; and

(f) The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.

6. INVESTMENT PRINCIPLES AND PRACTICES

6.1 According to Government Gazette No. 27431 of 1 April 2005, the following are permitted investments which a municipality may invest in –

(a) Securities issued by the national government;

(b) Listed corporate bonds with an investment grade rating from a national or internationally recognised credit rating agency;

(c) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);

(d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);

(e) Deposits with the corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);

(f) Banker's acceptance certificates or negotiable certificates of deposits of bank registered in terms of the Banks Act, 1990;

(g) Guaranteed endowment policies with the intention of establishing a sinking fund;

(h) Repurchase agreement with banks registered in terms of the Banks Act, 1990;

(i) Municipal bonds issued by a municipality; and

(j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consulting with the Financial Services Board.

6.2 Taking the above-mentioned guidelines into account, the following guiding principles are to be adhered to in order to facilitate the administration of Council's investment portfolio.

6.2.1 Limit exposure to single institution

(a) Investment of funds, where this involves large amounts, should be distributed over more than one institution in order to limit Council's risk exposure.

(b) It is considered prudent that not more than 50% (thus implying 50.01% and more) of Council's investment portfolio should be held with any specific Institution, as identified in Annexure B: Preferred List of Investment Institutions, at time of investment.

(c) Management will have the delegated right to review Annexure B on an annual basis and change (if necessary), provided that all changes should be reported to Council.

6.2.2 Risks and Return

(a) Although the objective of the Chief Financial Officer in making investments on behalf of the municipality shall always be to obtain the best interest rate (long term being more than 12 months and/or short term being 12 months and less) 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.

(b) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.

6.2.3 Borrowing for Re-Investment

(a) Council should refrain from borrowing monies for the purpose of re- investment, as this is tantamount to speculation with public funds.

6.2.4 Nominee Accounts

(a) All monies shall be invested directly with the relevant institutions. On no account may monies be placed in a nominee account.

6.2.5 Prohibited Investments

(a) Mogalakwena Local Municipality shall not be permitted to make investments in –

(i) Listed or unlisted shares, or unit trusts;

(ii) Stand-alone derivative instruments;

(iii) Investments denominated in, or linked to, foreign currencies;

(iv) Market linked endowment policies; or

(v) Credit linked notes.

(b) The municipality shall not borrow for the purpose of investing.

(c) The municipality shall not buy and sell money market instruments, to speculate with the view to making capital profits.

7. CASH MANAGEMENT PRINCIPLES AND PRACTICES

7.1 General

7.1.1. Should it be ascertained that surplus funds are available for investment; then written quotations should be obtained from financial institutions for various forms of investment, investment terms and rates of interest.

7.1.2. The investment shall be placed with an institution offering the most favourable rate provided such investment is in accordance with the terms and conditions of this policy.

7.1.3. Institutions should be advised that, in submitting quotations, they must offer their best rates of interest and that no further negotiation or discussion will be entered into with them after they have submitted their quotation.

7.2 Payment of Commission

7.2.1 A certificate shall be issued in respect of each and every investment made by the financial institution receiving the investment and no payment of any commission or payment in kind will be made to any party in respect of the investment so made.

7.3 Internal Investments

7.3.1 Before planning to invest funds externally, consideration must be given to whether the funds may be utilised at an equivalent rate to substitute external borrowing as there is normally a margin between the rate at which Council may borrow funds and the rate at which investments may be made over similar periods.

7.4 Cash at Bank

7.4.1 When funds are held in a current account, it is a good business practice to operate a call account. The overriding principle is that funds in the current account are to be kept at an absolute minimum, except if interest rate on current account is more or less the same than a call deposit account.

7.5 Credit Worthiness

7.5.1 Prior to investing in smaller registered financial institutions, the Financial Officer must ensure that the Council is not over-exposed and should satisfy itself as to the credit-worthiness and previous track record of the institution before placing funds.

7.6 Receipting Management (Section 64 of MFMA)

7.6.1 All moneys received and receipted must be deposited the next working day in Council's primary bank account.

7.6.2 All revenue received by the Municipality, including revenue received by any collecting agent on its behalf, is recorded at least on a weekly basis.

7.6.3 All monies collected by the Municipality on behalf of another organ of state must be transferred to that organ of state at least on a monthly basis.

7.7 Expenditure Management (Section 65(2)(d) of MFMA)

7.7.1 All payments by the Municipality are made –

(a) Directly to the person to whom it is due unless otherwise for reasons as may be prescribed;

(b) Either electronically or cash payments for exceptional reasons and only to an approved / prescribed limit; and

(c) Creditor's payments must be paid within 30 days of the creditor's statement.

7.7.2 Electronic payments must be approved by two authorised signatures, two A- signatories or one A-signatory and one B-signatory. Two B-signatories may not authorise electronic payments.

7.8 Withdrawals (Section 11 of MFMA)

7.8.1 Only a senior official(s) acting on the written authority of the Accounting Officer may withdraw money or authorise the withdrawal of money from any of the Municipality's bank accounts and may do so only –

(a) To defray expenditure appropriated in terms of an approved budget;

(b) To defray expenditure authorised in terms of section 26(4);

(c) To defray unforeseeable and unavoidable expenditure authorised in terms of section 29 (1);

(d) In the case of a bank account opened in terms of section 12, to make payments from the account in accordance with subsection (4) of that section;

(e) To pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including –

(i) Money collected by the municipality on behalf of that person or organ of state by agreement; or

(ii) Any insurance or other payments received by the municipality for that person or organ of state;

(f) To refund money incorrectly paid into a bank account;

(g) To refund guarantees, sureties and security deposits;

(h) For cash management and investment purposes in accordance with section 13;

(i) To defray increased expenditure in terms of section 31; or

(j) For such other purposes as may be prescribed.

7.8.2 Money may be withdrawn from a bank account in terms of subsection 7.8.1(b) to (j) without appropriation in terms of an approved budget.

7.8.3 The Accounting Officer must within 30 days after the end of each quarter –

(a) Table in the municipal council a consolidated report of all withdrawals made in terms of subsection 7.8.1(b) to (j) during that quarter; and

(b) Submit a copy of the report to the relevant provincial treasury.

7.9 Short Term Debt (Section 45 of MFMA)

7.9.1 A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act and only when necessary to bridge –

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

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

7.9.2 A municipality may incur short-term debt only if –

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

(b) The Accounting Officer has signed the agreement or other document, which creates or acknowledges the debt.

7.9.3 For the purpose of subsection (2)(a), a municipal council may –

(a) Approve a short-term debt transaction individually; or

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

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

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

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

7.9.4 A municipality –

(a) Must pay off short-term debt within the financial year; and

(b) May not renew or refinance short-term debt, whether its own debt or that of any other

entity, where such renewal of refinancing will have the effect of extending the short-term debt into a new financial year.

7.9.5 A lender –

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

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

7.9.6 Subsection (5)(b) does not apply if the lender –

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

(b) Did not know and has no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

7.10 Cash Procedures

7.10.1 Internal Controls

The supervisor checks floats of all the cashiers on daily basis.

7.10.2 Issuing of Receipts

Potential clients come to the cash office, provide cashier with a municipal account to make a payment, the cashier will then issue a receipt.

7.10.3 Cancellation of Receipts

If and when the cashier makes an error in respect of payment receipted, the cashier will call the supervisor, to cancel the receipt. This is done while the client is still at the cash office, and re-issues the correct receipt to the client. The cashier and the supervisor then sign the cancelled receipt.

7.10.4 Cash Balancing

After the end of each shift, the cashier will count the monies received, and do a daily cashier balancing. If the amounts entered by the cashier are correct the system automatically prints a balancing report, but if the amounts entered by the cashier are not correct, the supervisor is called. The supervisor will then re-count the money, as well as the cash float, enter the supervisor password to establish what the cash collected for the day should be. If short the cashier will then pay the monies in immediately (refer to section 4.1.1(a)(ii)), if there is a surplus the cashier will receipt the surplus on the next working day. If the cashier balances with the first attempt the procedure is that the supervisors will re-count the cash collected for the day, do a supervisor balancing and a report is generated automatically. This then balances off the cashier for that day and the day is then closed off and no transactions can be done for that day.

7.10.5 Official Payment Receipting Methods

(a) Direct Deposits, EFT payments and ACB (debit orders)

(i) Client will do a direct deposit into municipal bank account via the Internet or by deposit slip via their bank, using municipal account number, traffic fine reference number or any other reference provided by the municipal officials as reference. This information is extracted daily and when doing uploads from the bank is then credited against the clients' accounts or the correct vote number.

(ii) Accounts are also paid by means of a ACB (debit orders) payment by consumer's banker.

(b) 3rd Parties

Clients do a payment at Pick & Pay, Shoprite, SPAR, etcetera – refer to Annexure A. Up load's is done daily from external service provider extracting the information and then crediting the various clients' accounts.

(c) Cheque Deposit (including cheques received via mail previously)

The municipality will no longer accept any cheque payments as an official form of payment. This is due to various fraudulent activities associated with cheques and financial institutions moving towards a system whereby they will also no longer be accepting and/or issuing cheques.

8. CONTROLS OVER MANAGEMENT OF CASH & INVESTMENT

8.1 A proper record must be maintained of all investments made indicating at least the Institution, fund, interest rate, and maturing date.

8.2 The Financial Officer must retain all quotations received for record and audit purposes.

8.3 Interest must be correctly calculated, received and recorded timeously.

8.4 All investment certificates to be received via email in order to be backed-up on the server and any hard copies received to be kept in a securities file which shall be safeguarded in a fire proof safe.

8.5 In respect of grant funds, a separate file must be kept of the letter of grant and other pertinent information. Regular reports must be submitted to all grant agencies.

8.6 The Chief Financial Officer must compile and will be responsible for the maintenance of an Investment Register complying with audit requirements.

8.7 The Chief Financial Officer shall every month submit a report to the Council on the Council's Investment portfolio, including the type of investment, interest rates, period of investment and summary of the exposures to particular financial institutions.

9. DELEGATION OF AUTHORITY

9.1 The Council may, in terms of Section 59 of the Municipal Systems Act 2000, delegate any of its functions and responsibilities in respect of this policy to a Committee of the Council, the Municipal Manager, the Chief Financial Officer or any political functionary of the Council provided that such delegation will not absolve the person to whom such

a function or responsibility has been delegated from complying with any statutory reporting requirement or such reporting requirement as may be contained in this policy.

10. SHORT TITLE

10.1 This policy is called the Mogalakwena Local Municipality Cash and Investment Policy.

ANNEXURE A: CONTRACTED 3RD PARTY VENDORS

List of approved and contracted 3rd Party Vendors

1. Municipal Accounts –

Easy Pay receipting points at the following retail outlets:

(i) Easypay Mobile;
(ii) Easypay Website;
(iii) Pick n Pay;
(iv) Shoprite / Checkers / Usave;
(v) SPAR;
(vi) Boxers;
(vii) PEP Stores;
(viii) Cash & Carry; and
(ix) Wallet doc.

2. Traffic Fines –

(a) Easy Pay receipting points; and
(b) Traffic Management Technologies (“TMT”)

3. Pre-paid Electricity –

(a) Pre-paid Electricity Vendors; and
(b) Prepaid 24 website.

ANNEXURE B: PREFERRED LIST OF BANKING INSTITUTIONS

List of currently approved Investees

1. Deposit taking institutions –

(a) ABSA Bank;
(b) FirstRand Bank;
(c) Investec Bank;
(d) Nedbank;
(e) Standard Bank;
(f) Grindrod Bank;
(g) Public Investment Commissioners; and
(h) Corporation for Public Deposits.

2. Corporate bond issuers –

(a) None currently approved.

3. Municipal bond issuers –

(a) None currently approved.

4. Endowment policy issuers –

(a) None currently approved.

5. National Government / Parastatals –

(a) RSA fixed income stock; and
(b) Eskom fixed income stock.

ANNEXURE D

VIREMENT POLICY

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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ANNEXURE A: VIREMENT APPLICATION FORM **11**

PREAMBLE

Whereas Section 15(a) and (b) of the Local Government: Municipal Finance Management Act, No 56 of 2003 (hereinafter referred to as the Act) determines that a municipality may, except where otherwise provided for in the Act, incur expenditure only in terms of an approved budget (original and adjustments budgets) and within the limits of the amounts appropriated for the different votes in an approved budget;

And whereas Section 23(1) of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations (hereinafter referred to as the Regulations) determines that an adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year;

And whereas Section 23(2) of the Regulations determines that only one adjustments budget referred to in sub regulation (1) may be tabled in the municipal council during a financial year;

And whereas there will always be a need to transfer funds within or between approved votes, as defined in the Act, due to changing circumstances and priorities during a financial year;

Now therefore the Municipal Council of the Mogalakwena Local Municipality adopts the following Virement Policy:

1. DEFINITIONS

"Accounting Officer" means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, No 117 of 1998 and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act, No 32 of 2000 as well as Section 60 of the Local Government: Municipal Finance Management Act, No 56 of 2003.

"Act" means the Local Government: Municipal Finance Management Act, No 56 of 2003.

"Approved budget" means an annual budget:

(a) approved by a municipal council in terms of section 24 of the MFMA, or

(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

"Chief Financial Officer" means an official designated by the Accounting Officer as the Chief Financial Officer in terms of Section 80(2)(a) of the Act.

"Cost Centre" means a functional area which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

"Cost category" means a category of expenditure as set out in the approved budget.

"Cost item" means a line item of expenditure as set out in the approved budget.

"Financial Year" means the twelve (12) month period between 1 July and 30 June of the following year.

"Senior manager" means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the Municipal Manager.

"Vote" means one of the main segments (departments) into which a budget of a municipality is divided for the appropriation of money for the different functional areas (cost centres) of the municipality which specifies the total amount that is appropriated for the purposes of the vote's functional areas concerned.

"Virement" means the process of transferring an approved budgetary provision from one operating cost item or capital project to another within a vote or across a vote during a municipal financial year due to changed circumstances from which prevailed at the time of the previous budget adoption.

2. PURPOSE OF THIS POLICY

Mogalakwena Local Municipality wishes to achieve the following objectives by adopting this Virement Policy:

2.1 To assist the Accounting Officer to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.

2.2 To enable the Chief Financial Officer to advise the Accounting Officer and to assist

senior managers in the exercising of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79 of the Act.

2.3 To provide guidelines to the Accounting Officer and senior managers in the use of virements as a mechanism in their day-to-day management of their budget votes.

2.4 To empower the Accounting Officer and senior managers with an efficient financial and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality's system of delegations.

3. VIREMENT PRINCIPLES

Mogalakwena Local Municipality wishes to record that the following virement principles will apply:

3.1 In order for the Accounting Officer to authorise the transfer of funds from one cost item or capital project to another cost item or capital project within or across a vote (department); a saving has to be identified within the monetary limitations and within a similar funding segment of the approved cost item or capital project allocations on the respective budgets (operational and capital).

3.2 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this Policy are to be considered for budgetary adoption via an adjustments budget (Section 28 of the Act).

3.3 In terms of Section 17 of the Act a municipality's budget is divided into an operational and capital budget and consequently no virements are permitted between the operational and capital budgets.

3.4 Virements between votes (departments) will be permitted where the proposed shifts in funding facilitate sound risk and financial management.

3.5 Virements are not permitted in relation to the revenue side of the operational budget except where the Policy specifically caters for such virements.

3.6 Virements are not permitted in relation to the expenditure side of the operational budget except where the Policy specifically caters for such virements.

3.7 Virements are not permitted in relation to the expenditure side of the capital budget except where the Policy specifically caters for such virements.

4. OPERATING BUDGET VIREMENTS

Sound motivations should be provided for all virements, as provided for on the pro forma virements documentation attached as Annexure A to this Policy.

4.2 Cost categories

4.2.1 Employee Related Costs

(a) Virements to and from this category of expenditure are not allowed.

(b) Virements are allowed between cost items, cost centres and votes within these categories but only –

(i) To correct errors in the budget due to employees linked to an incorrect cost centre in the payroll system; and

(ii) To transfer unallocated funds budgeted for vacant positions to the cost centre where it was reprioritised.

(c) Virements within this expenditure category are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

4.2.2 Labour Costs Charge Outs

(a) Virements to and from this category of expenditure is not allowed.

(b) Virements are allowed between cost items, cost centres and votes within this category but only to correct errors in the budget.

(c) Virements within this expenditure category are subject to the approval of the Chief Financial officer.

4.2.3 Remuneration of Councillors

(a) Virements to and from this category of expenditure is not allowed.

(b) Virements are allowed between cost items and cost centres within this category but only to correct errors in the budget.

(c) Virements within this expenditure category are subject to the approval of the Chief Financial Officer and the Accounting Officer.

4.2.4 Provisions (Current and Non-Current) and Bad Debts Written Off

(a) Virements to and from these categories of expenditure are not allowed.

(b) Virements are allowed between cost items, cost centres and votes within this category of expenditure.

(c) Virements within these expenditure categories are subject to the approval of the relevant senior manager and the Chief Financial Officer.

4.2.5 Contracted Services, Inventory Consumed, Operating Leases, Bulk Purchases, Operational Cost and Transfer and Subsidies

(a) Virements to and from cost items, cost centres and votes within these categories of expenditure are allowed.

(b) Virements within these expenditure categories within a single vote are subject to the approval of the relevant senior manager and the Chief Financial Officer.

(c) Virements within these expenditure categories between votes are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

(d) Virements with regard to the correction of vote number allocations are subject to the approval of the financial division heads and Chief Financial Officer.

4.2.6 Bulk Purchases, Depreciation and Amortisation, Interest, Dividends and Rent on Land, Gains and Losses, Impairment Loss, Disposal of Fixed and Intangible Assets

(a) Virements to and from as well as between cost items, cost centres and votes within these categories of expenditure are not allowed.

(b) Virements are allowed between cost items, cost centres and votes within a single category of expenditure but only to correct budgeted errors due to incorrect allocations of budgeted funds.

(c) Virements between the same cost item between cost centres and / or votes are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

4.3 Revenue categories

Virements are allowed within a revenue source but only to correct budget errors due to incorrect allocations of budgeted funds.

CAPITAL BUDGET VIREMENTS

4.1 No "new" capital projects onto the capital budget will be permitted except for where it is necessary to accelerate capital projects spending of capital projects already approved by Council in the IDP and capital budget of the indicative years.

4.2 No virements which relate to capital projects approved as part of the annual or adjustments budgets will be permitted except in cases where in the opinion of the Accounting Officer it is necessary to procure operational assets (vehicles, office equipment, computer equipment, computer software, tools and equipment, etcetera) from funds allocated to the administration to enable them to perform their duties effectively, efficiently and economically.

4.3 Motivations for virements in paragraph 5.1 and 5.2 above should clearly state the reason for the need of a new capital project/s on the budget as well as the saving/s within the approved capital project/s.

4.4 Virements to and from the various categories of funding sources are not allowed. Virements are permitted within a single category of funding source.

4.5 The categories of funding sources for capital projects are as follows –

(a) Capital Replacement Reserve (CRR) / Own funds;
(b) External loans;
(c) Conditional grants (MIG, WISG, RBIG, INEP, etcetera);
(d) Landfill site provision;
(e) Development Contributions; and
(f) Other donations.

4.6 Virements within a department are subject to the approval of the relevant senior manager and Chief Financial Officer.

4.7 Virements between departments are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

5. PROCESS AND ACCOUNTABILITY

5.1 Accountability, to ensure that virement application forms are completed in accordance with Council's Virement Policy and which is not in conflict with the department's strategic objectives, manifests with the senior manager of a department.

5.2 The relevant senior manager will ensure that the virement application form is duly completed, the virement duly motivated and signed by the senior manager. Supporting documentation, proving savings on a cost item/s, must accompany the application form that needs to be handed over to the budget office.

5.3 The budget office will verify the virement application form and the Chief Financial Officer will authorise the verified virement application should it comply with the Virement Policy of Council. If not, the virement application form will be returned to the relevant senior manager.

5.4 All relevant virement application forms verified by the budget office and authorised by the Chief Financial Officer will be submitted to the Accounting Officer by the budget office for final approval. The Accounting Officer may refuse to approve a virement application even if the Chief Financial Officer has authorised the virement application.

5.5 After receiving the final approval from the Chief Financial Officer or Accounting Officer where applicable the budget office may process the virement.

5.6 Completed virement documentation is to be kept by the Chief Financial Officer (budget office) for audit purposes.

6. DELEGATIONS

6.1 Any official acting in a position of a senior manager, the Chief Financial Officer and the Municipal Manager will have the delegated powers to authorise or approve virement applications.

6.2 For operational reasons the Chief Financial Officer may delegate his authorisation rights to senior managers within the financial management, budget, accounting and reporting branch. These delegations must be in writing and kept by the budget office for audit purposes.

6.3 For operational reasons the Municipal Manager may delegate his final approval rights to the Chief Financial Officer with the proviso that the Chief Financial Officer may not authorise and approve the virement application at the same time. This delegation must be in writing and kept by the budget office for audit purposes.

6.4 For operational reasons senior managers may delegate their authorisation rights to managers within the relevant department. These delegations must be in writing and kept by the budget office for audit purposes.

7. SHORT TITLE

This policy is the Virement Policy of the Mogalakwena Local Municipality.

MOGALAKWENA LOCAL MUNICIPALITY																										
ANNEXURE A: Application Form for the Virement of Budgeted Funds in terms of Virement Policy																										
Financial Year: 2024/2025																										
FROM: Vote number/s																										
Cost Centre				Category			Item Number				Fund		Project			Cost		Region		Item Description						Amount (Rand)
Total																										
TO: Vote number/s																										
Cost Centre				Category			Item Number				Fund		Project			Cost		Region		Item Description						Amount (Rand)
Total																										
VIREMENT MOTIVATION (GO040 Solar Printouts must be Attached to Virement Application Form for Verification and Approval Purposes)																										
FOR AUTHORISATION PURPOSES																										
Action				Name of Official				Designation								Signature								Date		
Requested by Senior Manager / Delegated Official																										
Verified by Budget Office:																										
Authorised by CFO / delegated official:																										
VIRMENTS BETWEEN DEPARTMENTS MUST BE APPROVED BY THE MUNICIPAL MANAGER																										
Approved by Accounting Officer / delegated official:																										
FOR BUDGET OFFICE USE ONLY																										
Processed by:																										

ANNEXURE E

Financial Asset Management Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1. INTRODUCTION

1.1 This document indicates the policy of Mogalakwena Local Municipality (MLM) for the management of its assets (which excludes financial assets such as receivables and cash), and it commits the Municipality to –

a) Managing and maintaining municipal assets in a way that is aligned with the Municipality's strategic objectives and recognised good practice; and

b) Establishing and maintaining an asset register that complies with the latest accounting standards.

1.2 These assets must be safeguarded and maintained over their useful lives and may be:

- Used in the production or supply of goods and services or for administrative purposes;
- Held to earn rentals or for capital appreciation or both; or
- Held indefinitely for the benefit of present and future generations, due to its cultural, environmental, historical, natural, scientific, technological or artistic significance.

1.3 Since 2004, when the Municipal Finance Management Act No 56 of 2003 (MFMA) was promulgated, municipalities have been required to align the planning, management, reporting and auditing of their finances in accordance with the strict requirements of the MFMA and related legislation.

1.4 Section 63(2)(b) of the MFMA requires a Municipality's assets to be valued according to standards of generally recognised accounting practice (GRAP) and section 122(3) determines the preparation of annual financial statements in accordance with GRAP.

1.5 Regarding the disposal of assets, sections 14 and 90 of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) sets out certain requirements, while the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has also been issued.

2. SCOPE AND APPLICATION

2.1 Policy objective

2.1.1 The policy has been designed to provide guidance during the development of an asset management strategy, asset management plans and asset management procedures. Detailed procedures, to ensure that management and employees within the Municipality understand their respective responsibilities and duties, are provided in a separate document.

2.1.2 The objective of this policy is to ensure that assets of the MLM are properly managed and accounted for by –

(a) Applying asset management principles in a consistent manner and in accordance with legal requirements and recognised good practice;

(b) Compliance with the Council's accounting policies and Generally Recognised Accounting Practices;

(c) The accurate recording of essential asset information;

(d) The accurate recording of asset movements;

(e) Treating the assets correctly in the Municipality's financial statements;

(f) Providing accurate and meaningful management information;

(g) Adequate insuring of assets;

(h) Maintenance of Council's assets;

(i) Ensuring that management are aware of their responsibilities with regard to assets;

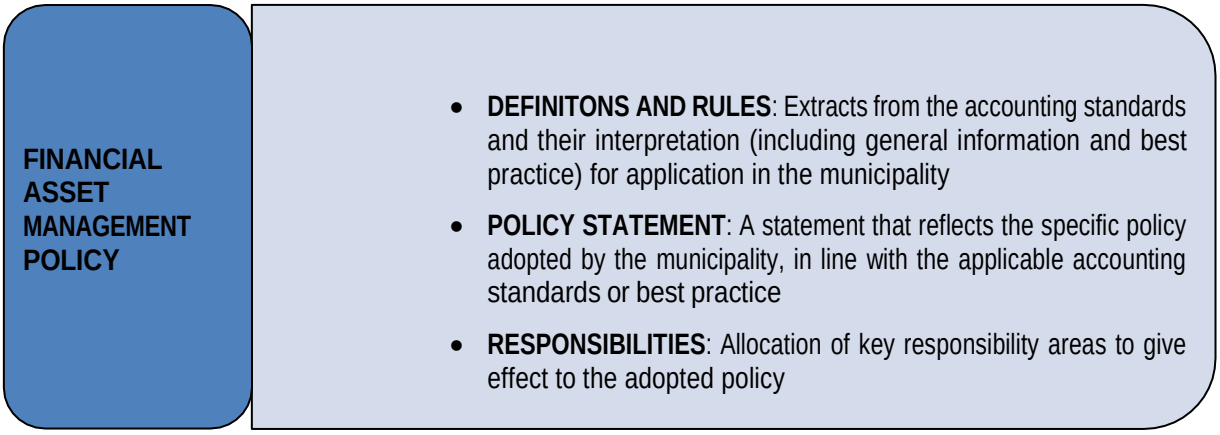
(j) Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss; and

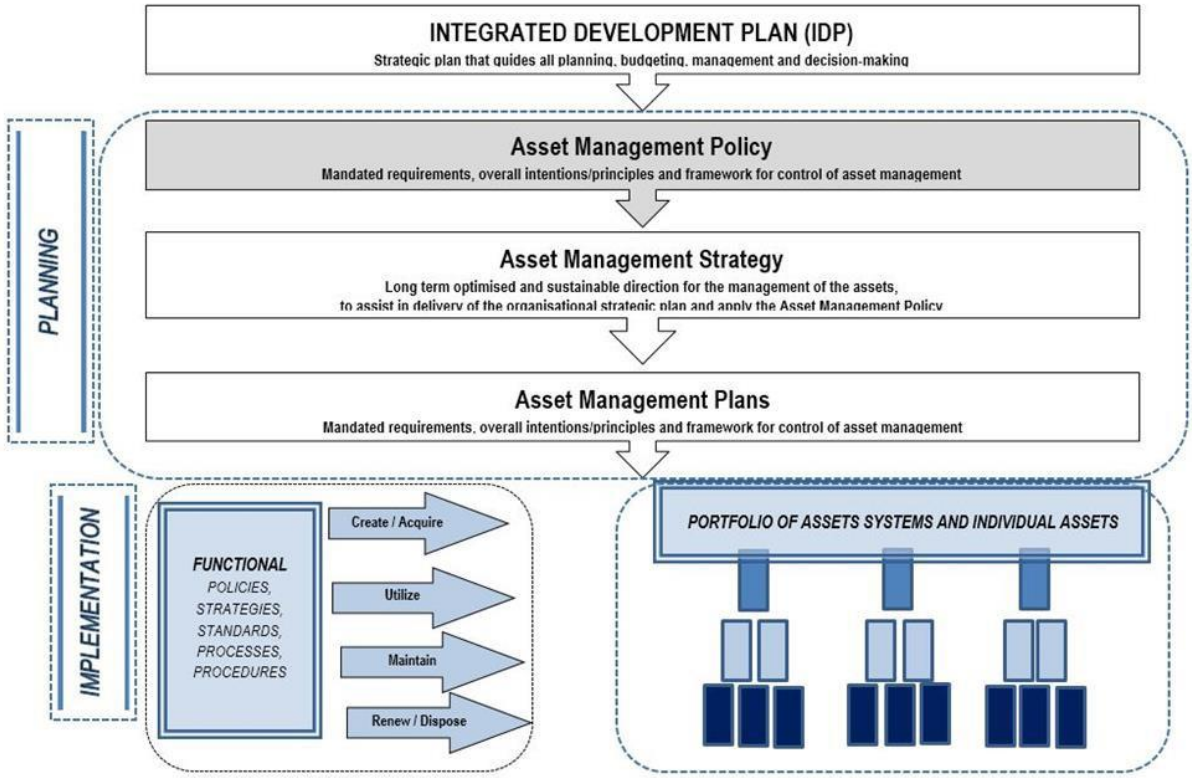
(k) Exercising strict physical controls over all assets.

2.2 Policy format

2.2.1 The policy approach has mainly been to focus on the financial treatment of assets, which needs to be consistent across both the movable and immovable assets. The Asset Management Policy sets out the overall intentions, principles and framework for control of asset management.

2.2.2 The following figures give an overview to the format of presentation of this policy document, and how it links to separate documents that provide the strategy, plans and any procedures that may arise in terms of this policy:





2.3 Relationship with other policies

2.3.1 This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following –

(a) Asset Management Policy: Defining the municipality's vision and intent regarding all aspects of asset management;

(b) Delegation of Powers (Delegations Register): Identifying the processes surrounding the establishment of delegated authority;

(c) SCM Policy: Regulating all processes and procedures relating to acquisitions;

(d) Budget Policy: The processes to be followed during the budget process as well as pre-determined prioritisation methodology;

(e) Accounting Policies: Governed by the Accounting Standards, the accounting policies determine the basis of recognition, measurement and recording of all transactions;

(f) Policy on Management and Disposal of Assets;

(g) Fleet Management Policy; and

(h) Insurance Management Policy.

2.3.2 This policy does not overrule the requirement to comply with other policies. The Chief Financial Officer (CFO) will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

2.4 Application

2.4.1 This document is applicable to all officials of the Mogalakwena Local Municipality.

2.5 Approval and Effective date

2.5.1 The CFO is responsible for the submission of this document to Council to consider its adoption after consultation with the Municipal Manager. The effective date for implementation of the policy is 01 July 2024.

2.6 Policy Implementation and Amendment

2.6.1 Detailed procedures shall be prepared and is to be adopted by the Municipal Manager, in consultation with the CFO and divisional heads, to give effect to this policy.

2.6.2 This policy will be reviewed annually as part of the review of budget related policies, and it will be updated whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of Council's assets. Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the Municipal Manager in consultation with the CFO and respective Divisional heads. The recommendations of the CFO shall be considered for adoption by Council.

3. ABBREVIATIONS AND DEFINITIONS

3.1 Abbreviations

The following abbreviations are used in this document:

Abbreviation	Description
AM	Asset Management
AR	Asset Register
CFO	Chief financial officer
MLM	Mogalakwena Local Municipality
EUL	Estimated useful life
GRAP	Generally recognised accounting practices
HA	Heritage Assets
IA	Intangible Assets
IP	Investment Property
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MSA	Municipal Systems Act (No. 32 of 2000)
PPE	Property, Plant and Equipment
RUL	Remaining useful life
SCM	Supply Chain Management

3.2 Definitions

For purposes of this policy, unless otherwise stated, the definitions in part 5 of this document shall apply.

4. CONTEXT AND REFERENCES

This policy has been developed with due consideration of statutory requirements and asset management guidelines.

4.1 Statutory requirements

4.1.1 This policy must comply with all relevant legislative requirements including –

(a) The Constitution of the Republic of South Africa, 1996;
(b) The Municipal Systems Act, 2000; and
(c) The Municipal Finance Management Act, 2003

4.1.2 The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects –

(a) Providing democratic and accountable government for local communities;
(b) Ensuring the provision of services to communities in a sustainable manner;
(c) Promoting social and economic development;
(d) Promoting a safe and healthy environment; and
(e) Encouraging the involvement of communities and community organisations in matter of local government.

4.1.3 The manner in which a Municipality manages its assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable. Section 55(2) of the MSA also emphasizes the responsibility and accountability of the Municipal Manager, as accounting officer of the Municipality, for all assets of the Municipality.

4.1.4 The Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Municipal Manager by the requirement to ensure that –

(a) The Municipality has and maintains a management, accounting and information system that accounts for its assets and liabilities;
(b) The Municipality's assets are valued in accordance with standards of generally recognised accounting practice; and

(c) The Municipality has and maintains a system of internal control of assets and liabilities.

4.1.5 Differentiation regarding asset disposals is set out in sections 14 and 90 of the MFMA while section 75(1)(h) requires that certain information regarding assets disposed of is placed on the Municipality's website. Also developed in terms of the MFMA, the Municipal Asset Transfer Regulations is applicable to all municipalities and municipal entities transferring and disposing of capital assets, or granting a right to use, control or manage capital assets.

4.1.6 In addition, the Municipal Supply Chain Management Regulation no. 27636 has specific requirements regarding the disposal of capital assets.

4.1.7 The Occupational Health and Safety Act requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its assets safe.

4.1 **Accounting Standards**

4.2.1 MFMA requires municipalities to comply with the standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The following Standards and interpretations of GRAP significantly impacts on the recognition and measurement of assets within the municipal environment –

(a) GRAP 12 – Inventories;

(b) GRAP 13 – Leases and more specifically, deemed finance leases;

(c) GRAP 16 – Identification of items to be treated as Investment Properties;

(d) GRAP 17 – Property Plant and Equipment;

(e) GRAP 21 – Impairment of non-cash-generating assets;

(f) GRAP 26 – Impairment of cash-generating assets;

(g) GRAP 27 – Agriculture;

(h) GRAP 31 – Intangible assets and more specifically the treatment of items of software; and

(i) GRAP 103 – Heritage assets

(j) IGRAP 18 – Recognition and De-recognition of Land

4.2 **Rationale for asset management**

4.2.1 Municipal assets are the means by which the Municipality delivers a range of essential municipal services. The principal objective of asset management is therefore to enable the Municipality to meet its service delivery objectives efficiently and effectively. Good asset management facilitates the provision of services in a financially sustainable manner requiring adequate automation of critical processes within the asset management cycle.

4.2.2 Typical to an effective and efficient system at least the following functions need to be addressed by the minimum business process requirements –

(a) Safeguarding of assets, e.g. asset tracking, numbering and locations;

(b) Maintaining assets, planned and unplanned maintenance which needs to also incorporate capital asset renewal;

(c) Maintenance costing as an input into asset replacement plans;

(d) Establishing and maintaining a management, accounting and information system that accounts for the assets of the Municipality;

(e) Asset valuation principles in accordance with Generally Recognised Accounting Practice;

(f) Establishing and maintaining systems of internal controls over assets;

(g) Establishing and maintaining an asset register;

(h) Clarifying responsibilities and accountabilities for the asset management process; and

(i) Insurance of assets.

4.2.3 On behalf of the local community, the Municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in municipal assets. Municipal rules, described in approved policies, are required to ensure the enforcement of appropriate stewardship of municipal assets. Stewardship has two components being the –

(a) Physical administration by the Senior management of relevant departments and the Divisional head: Assets Management; and

(b) Financial administration by the Chief Financial Officer.

4.2.4 To this end, statutory provisions have been implemented to protect public property against arbitrary and inappropriate management or disposal by a local government, and accounting standards have been promulgated to ensure the appropriate financial treatment for different types of assets.

4.2.5 The requirements of these accounting standards include –

(a) The compilation of asset registers covering all property, plant and equipment controlled by the Municipality; and

(b) Accounting treatment for the acquisition, disposal, recording and subsequent measurement of assets.

4.2.6 The Financial Asset Management Policy describes the appropriate financial treatment for different types of assets.

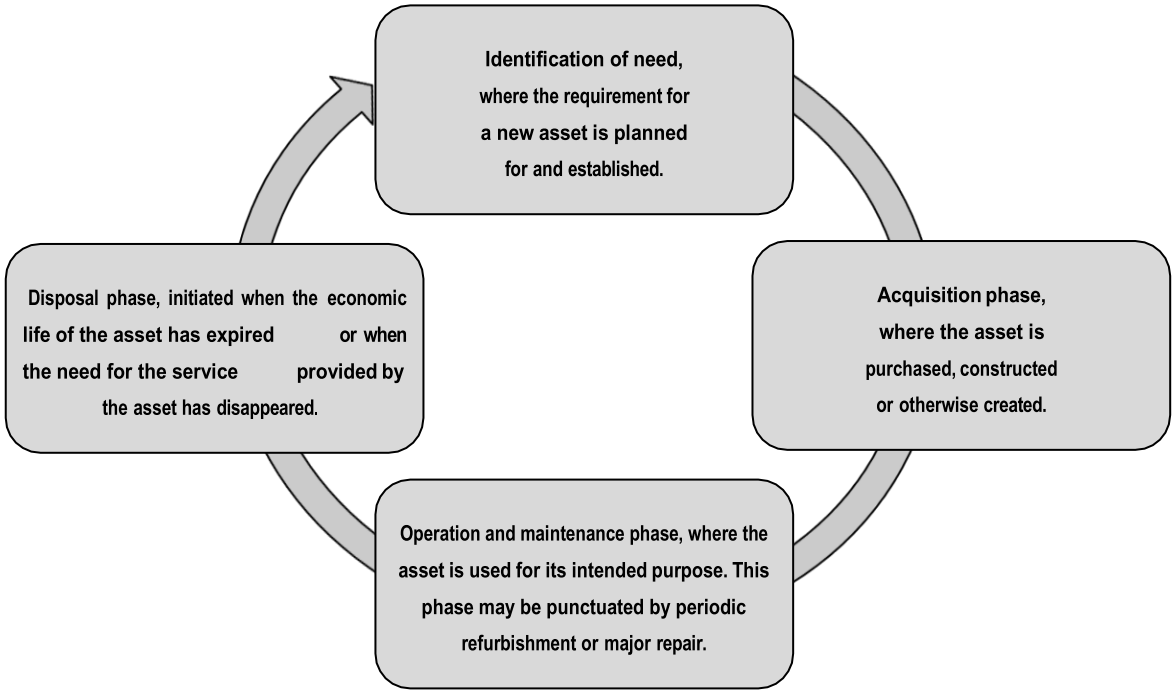
4.3 The Asset Lifecycle and Management of Infrastructure Assets

4.3.1 The main challenges associated with managing assets can be characterised as follows –

(a) Movable assets – controlling acquisition, location, use, and disposal (over a relatively short-term lifespan); and

(b) Immovable assets – life-cycle management (over a relatively long-term lifespan).

4.3.2 The phases through which an asset passes during its life are –



4.3.3 Effective management of immovable assets such as infrastructure and community facilities are central to the Municipality providing an acceptable standard of services to the community. Infrastructure impacts on the quality of the living environment and opportunities to prosper. Councillors and officials are custodians on behalf of the public of infrastructure assets, the replacement value of which amounts to several billion Rand.

4.3.4 Consequently, the management of such assets is critical to meeting the strategic objectives of the Municipality and in measuring its performance.

4.3.5 There is a need to direct limited resources to address the most critical needs, to achieve a balance between maintenance and renewing existing infrastructure whilst also addressing backlogs in basic services and facing ongoing changes in demand. Making effective decisions on service delivery priorities requires a team effort, with inputs provided by officials from a number of departments of the Municipality.

4.3.6 Accordingly, the asset register adopted by a Municipality must meet not only financial compliance requirements, but also set a foundation for improved infrastructure asset management practice.

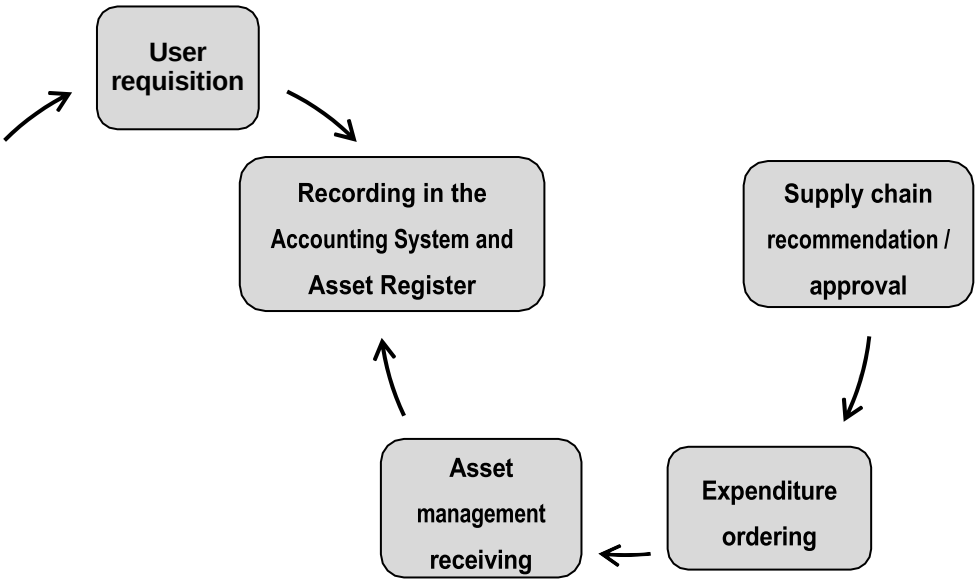
5. POLICY STATEMENT FOR ASSET ACCOUNTING

5.1 Asset Acquisition

5.1.1 Definitions and rules

(a) Acquisition

Acquisition of assets refers to the purchase of assets by buying, building (construction), or leasing. The date of acquisition of assets is deemed to be the time when control or legal title passes to the Municipality. The *Process Flow* during asset acquisition can be illustrated as follows –



(b) Creation of new infrastructure assets

Creation of new infrastructure assets refers to the purchase and / or construction of totally new assets that has not been in the control or ownership of the Municipality in the past.

(c) Self-constructed assets

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

(d) Donated assets

A donated asset is an item that has been given to the Municipality by a third party in government or outside government without paying or actual or implied exchange.

5.1.2 Policy Statement

(a) Should the Municipality decide to acquire a capital asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset –

(i) The purpose for which the asset is required is in keeping with the objectives of the Municipality and will provide significant, direct and tangible benefit to it;

(ii) The asset meets the definition of a capital asset (as defined in GRAP 16, GRAP 17, GRAP 27, GRAP 31 and GRAP 103);

(iii) The asset has been budgeted for;

(iv) The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;

(v) The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;

(vi) The asset is appropriate to the task or requirement and is cost-effective over the life of the asset;

(vii) The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;

(viii) Space and other necessary facilities to accommodate the asset are in place; and

(ix) The most suitable and appropriate type, brand, model, etc. has been selected.

(b) The cost of all ***new infrastructure facilities*** (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.

(c) ***Work in progress*** shall be indicated as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management, which may in rare instances be deemed to be only after the *defects liability period*. Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

(d) All assets that can be classified as assets and that are ***constructed by the Municipality*** shall be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work in progress shall be indicated as such in the asset register until such time that the facility is completed.

(e) ***Donated assets*** shall be valued at fair value, reflected in the asset register, and depreciated as normal assets. All donated assets shall be approved by the Municipal Manager and ratified by Council prior to acceptance.

5.1.3 Responsibilities

(a) Before a capital project is included in the budget for approval, the Senior Manager of the relevant department must demonstrate that they have considered –

(i) The projected cost over all the financial years until the project is operational;

(ii) The future operational costs and revenue on the project, including tax and tariff implications;

(iii) The financial sustainability of the project over its life including revenue generation and subsidisation requirements;

(iv) The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation; and

(v) The inclusion of this capital project in the integrated development plan and future budgets.

(b) The CFO is accountable to ensure the Senior Management of the relevant department receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

(c) Senior management shall ensure that details of all capital work in progress is completed and submitted to the Manager: Assets Management (or delegated official).

(d) Each Senior Manager shall guide the service provider to submit invoices of work in progress as per the components and classification of assets as in the asset register.

(e) Each Senior Manager shall ensure that proper records of staff time, transport costs and material costs are retained such that all costs associated with the construction of these assets are completely and accurately accounted for.

(f) Each Senior Manager shall notify the Manager: Assets Management (or delegated official) when the works have been completed and separate componentised assets can be recognised on the asset register (unbundled).

(g) On completion of the infrastructure project, the Senior Managers shall ensure that all costs (both direct and indirect) associated with the construction of the assets be summed and be capitalised to the assets that make up the project.

(h) Senior Managers must evaluate the future operational costs of donated assets and the effect it might have on future tariffs and taxes, before a donated asset is accepted by the Municipality.

(i) Senior Managers must ensure that approval is obtained from the Municipal Manager prior to acceptance of a donated asset.

5.2 Asset Recognition

5.2.1 Definitions and Rules

(a) <u>Assets</u>

An asset is defined as a resource controlled by an entity as a result of past events and from which future economic benefits or service potential associated with the item will flow to the entity.

(b) Control

An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.

(c) Past transactions or events

Assets are only recognised from the point when some event or transaction transferred control to an entity.

(d) Probability of the flow of benefits or service potential

The degree of certainty that any economic benefits or service potential associated with an item will flow to the Municipality is based on the judgement. The Municipal Manager shall exercise such judgement on behalf of the Municipality, in consultation with the CFO and respective Senior Manager.

(e) Reliable measurement

Items are recognised that possess a cost or fair value that can be reliably measured in terms of this policy.

(f) Economic benefits

Economic benefits are derived from assets that generate net cash inflow.

(g) Service Potential

An asset has service potential if it has the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the Municipality, such as the provision of services.

(h) Non-current asset

A “non-current asset” is an asset with an expected useful life of greater than 12 months.

(i) Immovable assets

Immovable assets are structures such as buildings and roads. A plant that is built-in to the structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).

(j) Spares and standby equipment

Spares and materials used on a regular basis in the ordinary course of operations are usually carried as inventory (i.e. they are not usually considered assets) and are expensed when consumed. Spares that constitute an entire or significant portion of a component type, or a specific component, defined in the immovable PPE asset hierarchy are considered capital spare parts and are recognised as an item of PPE immediately that they are available for use and in a location and condition necessary for it to be capable of operating in a manner intended by management. Tangible items that are used in the production or

supply of goods or services on an irregular basis (such as standby equipment) are recognised as items of PPE.

(k) Leased assets

A lease is an agreement whereby the lessor coveys to the lessee (in this case, the Municipality) the right to use as asset for an agreed period of time in return for a payment. Leases are categorised into finance and operating leases. A finance lease transfers substantially all risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the assets are substantially transferred to the Municipality, the lease is regarded as a finance lease recognised by the Municipality. Where there is no substantial transfer of risks and rewards of ownership to the Municipality, the lease is considered an operating lease and payment are expensed in the income statement on a systematic basis (straight-line basis over the lease term).

(l) Asset custodian

The department that controls an asset, as well as the individual (asset custodian) that is responsible for the operations associated with such asset in the department, is identified by the respective Senior Manager, recorded, and communicated on recognition of the asset.

(m) Capitalisation Threshold

(i) The capitalisation threshold is a policy decision of the Municipality and is the value above which assets are capitalised and reported in the statement of financial position as tangible or intangible capital assets as opposed to being expensed in the year of acquisition (accelerated depreciation). As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management. However, the capitalisation threshold is regarded as a deviation from GRAP standards and should be determined annually by comparison against materiality and must be determined at a level that will ensure that the Municipality does not deviate materially from the requirements of GRAP.

(ii) The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that an asset recorded as such would not be a complete asset. The Municipality has taken the following into account when considering a capitalisation threshold –

(aa) The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
(bb) The cost of maintaining financial and management information on assets when the threshold is very low;
(cc) The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied; and
(dd) The size of the Municipality or the size of its service areas when setting a capitalisation threshold level.

5.2.2 Policy Statement

(a) A capital asset shall be recognised as an asset in the financial and asset records when –

(i) It is probable that future economic benefits or potential service delivery associated with the item will flow to the Municipality;

(ii) The cost or fair value of the item to the Municipality can be measured reliably;

(iii) The cost is above the municipal capitalisation threshold (if any); and

(iv) The item is expected to be used during more than one financial year.

(b) The Municipality shall recognise all assets existing at the time of adoption of this policy and the development of new, upgraded and renewed assets on an on-going basis. Such assets shall be capitalised in compliance with prevailing accounting standards.

(c) The capitalisation threshold is set at R 500 (five hundred rand), (excluding VAT where applicable), but the application thereof will be determined annually by the Municipality. Assets with a cost not exceeding the capitalisation threshold shall be expensed in the statement of financial performance and not be capitalised. These assets shall not be depreciated or tested for impairment and shall not generate any further transactions. The Municipality (Municipal Manager or delegated official) can however determine with an internal memorandum which assets under the threshold should be classified as capital assets.

(d) Certain types of assets, as listed in ***Annexure B,*** shall not be capitalised, either because these are not typically expected to have operating lives exceeding one year, or because it is difficult to maintain control for asset register purposes, in terms of verifying existence and location.

(e) While assets described in (c) and (d) above are not included in the asset register, control over these items shall be the responsibility of the relevant Senior Manager.

5.2.3 Responsibilities

(a) The CFO, in consultation with the Municipal Manager and Senior Managers, shall determine effective procedures for the recognition of new assets and subsequent capital expenditure on existing assets.

(b) Every Senior Manager shall ensure that all assets under their control are correctly recognised as assets, and that control is exercised over items as described above in 5.2.2 (c) and (d).

(c) The CFO shall keep a lease register with the following minimum information - name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.

(d) Every Senior Manager shall ensure that all assets under their control are correctly capitalised and the capitalisation threshold applied as and when applicable.

5.3 CLASSIFICATION OF ASSETS

5.3.1 Definitions and rules

(a) Asset Categories

The accounting categories of assets are as follows –

(i) Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the Municipality's operations, that is shown as a single class for the purposes of disclosure in the financial statements);

(ii) Investment property;

(iii) Intangible assets;

(iv) Heritage assets;

(v) Biological assets; and

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

In the case of an asset not appearing in the adopted classification structure, a classification that is most closely comparable to the asset in question is used.

(b) Class of assets

A class of assets is defined as a group of assets of a similar nature or function in the Municipality's operations. The total balance of each class of assets is disclosed in the notes to the financial statement.

(c) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, for rentals to other, or for administrative purposes; and are expected to be used during more than one period. This includes items necessary for environment or safety reasons to leverage the economic benefits or service potential from other assets. Insignificant items may be aggregated. Property, plant and equipment are broken down into groups of assets of a similar nature or function in the Municipality's operations for the purpose of disclosure in the financial statements.

(d) PPE asset hierarchy

An assets hierarchy is adopted for PPE which enables separate accounting of parts (or components) of the asset that are considered significant to the Municipality from a financial point of view, and for other reasons determined by the Municipality including risk management (in other words, taking into account the criticality of components) and alignment with the strategy adopted by the Municipality in asset renewal (for example the extent of replacement or rehabilitation at the end of life). In addition, the Municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and component.

(e) PPE Land

PPE Land comprises any land held by the Municipality to be used in the production or supply of goods or for administrative purposes. The intention is not to develop or sell the property in the normal course of business. Land held for a currently undetermined future use, should not be included in PPE, but should be included in Investment Properties.

(f) PPE Buildings facilities

(i) Buildings assets are buildings that are used for municipal operations such as operational buildings held by the Municipality to be used in the production or supply of goods or for administrative purposes and rental stock or housing not held for capital gain, as well as community halls and other municipal buildings utilised for the general well-being of the Municipality.

(ii) Housing Assets have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government and comprise of rental stock or selling stock not held for capital gain.

(g) PPE – Other assets

Facility assets which do not form part of a completed operational building facility. Other structures and facilities assets include other municipal structures and community facilities such as parks, gardens, cemeteries, as well as recreational facilities.

(h) PPE Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets. Infrastructure Assets comprise assets used for the delivery of infrastructure-based services. At MLM these assets include Electricity networks, Water Networks, Sewerage (Sanitation) Networks, Roads (including storm water assets) and Solid Waste (Landfill site).

(i) Component approach

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

(aa) Significant cost; and

(bb) Considerable difference in useful life.

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

(j) Level of detail of componentisation

(i) For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level in most cases coincides with the level that

means the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very costly when dealing with assets that are very numerous in nature e.g. street signs, street lights, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data.

(ii) The infrastructure asset register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the Municipality.

(j) PPE – Movable assets

Movable assets are ordinary operational assets such as vehicles, equipment as well as furniture and fittings.

(k) Investment Property

Investment property is defined as property (land and/or a building, or a part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operation).

(l) Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Example are licenses/right, (such as water licenses), servitudes and software.

(m) Heritage Assets

(i) Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and work of art. Some heritage assets have more than one purpose, e.g. a historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The Municipality needs to determine whether the significant portion of the asset meets the definition of a heritage asset. The entity must use its judgement to make such assessment. The asset should be accounted for as a heritage asset if, and only, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. If a significant portion is used for production, administrative purpose or supply of services or goods, the asset shall be accounted for in accordance with GRAP 17 on PPE.

(ii) If the Municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

(n) Biological assets

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. Managed agricultural activity such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and / or procreating which are expected to eventually result in agricultural produce. Such agricultural produce is recognised at the point of harvest.

Future economic benefits must flow to the Municipality from its ownership or control of the asset.

(o) Land Inventories

Inventory Property comprises any land owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land owned or acquired by the Municipality with the intention of developing such property for the purpose of selling or distributing it in the ordinary course of business.

5.3.2 Policy Statement

(a) The accounting groups specified by GRAP and asset classes as set out below shall be adhered to as a minimum standard. An extended asset classification, as set out in ***Annexure A***, has been adopted.

Accounting Group	Asset Category	Asset Sub-category	Asset Group
Property, plant and equipment	Infrastructure Assets	Electricity Network	Power Plants
			HV Substations
			HV Switching Station
			HV Transmission Conductors
			MV Substations
			MV Switching Stations
			MV Networks
			LV Networks
			Capital Spares
		Road Network	Roads
			Road Structures
			Road Furniture
			Capital Spares
		Stormwater network	Drainage Collection
			Storm water Conveyance
		Water network	Dams and Weirs
			Boreholes
			Reservoirs
			Pump Stations
			Water Treatment Works
			Bulk Mains
			Distribution
			Distribution Points
			PRV Stations
			Capital Spares
		Sanitation Network	Pump Station
			Reticulation
			Waste Water Treatment Works

Accounting Group	Asset Category	Asset Sub-category	Asset Group
			Outfall Sewers
			Toilet Facilities
			Capital Spares
		Solid Waste Infrastructure	Landfill Sites
			Waste Transfer Stations
			Waste Processing Facilities
			Waste Drop-off Points
			Waste Separation Facilities
			Electricity Generation Facilities
			Capital Spares
	Land	Community assets land	Community facilities land
		Infrastructure assets land	Electricity network land
			Roads and stormwater network land
			Sanitation network land
			Water supply network land
		Other assets land	Operational buildings land
			Social housing land
			Staff housing land
	Community assets	Community facilities	Abattoirs
			Airports
			Cemeteries / crematoria
			Clinics
			Crèches / care centres
			Halls / centres
			Landfill sites
			Libraries
			Markets / stalls / shops
			Mini refuse sites
			Museums / galleries / theatres
			Parks
			Public ablution facilities
			Public open spaces
			Taxi ranks / parking / bus terminals
		Sport and recreation Facilities	Indoor facilities
			Outdoor facilities
	Building	Operational buildings	Fire / Ambulance stations
			Laboratories
			Municipal offices
			Pay / Enquiry points
			Stores

Accounting Group	Asset Category	Asset Sub-category	Asset Group
			Testing stations
			Workshops / depots / yards
		Housing	Staff housing
			Social housing
Property, plant and equipment (movables)	Other assets	Machinery and equipment	Audiovisual Equipment
			Building Air Conditioning System
			Cellular Phones
			Cellular Routers
			Domestic Equipment (Non-kitchen appliances)
			Electric Wire and Power Distribution Equipment (Compressors/ Generator)
			Emergency/ Rescue Equipment
			Elevator Systems
			Farm/ Agricultural Equipment
			Fire Fighting Equipment
			Gardening Equipment
			Irrigation Equipment
			Kitchen Appliances
			Laboratory Equipment Agricultural
			Laboratory Equipment Medical Testing
			Laboratory Equipment Roads and Transport
			Laundry Equipment and Industrial Sewing Machines
			Learning, Training Support and Library Material
			Machines for Metallurgy
			Rail
			Machines for Textile Production
			Medical and Allied Equipment
			Music Instruments
			Photographic Equipment
			Pumps, Pluming, Purification and Sanitation Equipment
			Radio Equipment
			Road Construction and Maintenance Equipment
			Saddles and other tack
			Security Equipment/ Systems/ Material Fixed
			Security Equipment/ Systems/ Material Movable
			Ship and Marine Equipment
			Skips
			Sport and Recreational Equipment

Accounting Group	Asset Category	Asset Sub-category	Asset Group
			Survey Equipment
			Telecommunication Equipment
			Tents, Flags, and Accessories
			Woodworking Machinery and Equipment
			Workshop Equipment and Loose Tools Fixed
			Workshop Equipment and Loose Tools Movable
		Computer Equipment	Computer Hardware including Operating Systems
			Computer Networks
		Furniture and Office Equipment	Advertising Boards
			Air Conditioners (Individual Fixed or Movable)
			Cutlery and Crockery
			Domestic and Hostel Furniture
			Linen and Soft Furnishing
			Office Furniture including fax machines
			Office Furniture
			Paintings, Sculptures and Ornaments
		Transport Assets	Aircraft
			Aircraft engines
			Airport Transport Equipment
			Busses
			Cycles
			Emergency Vehicles
			Mobile Clinics
			Motor Vehicles
			Railway Rolling Stock
			Trailers and accessories
			Trucks
Heritage assets	Heritage assets	Conservation areas	National parks
			Recreational parks
			Wetlands
		Historical buildings	All
			Mining industry
			Museums
		Historical monuments	Monuments
		Historical sites	Graves and burial grounds
			Archaeological & palaeontology
		Other heritage	All
		Heritage assets land	Heritage assets land
Heritage assets (movables)	Heritage assets	Heritage assets	Paintings
			Sculptures/ Statues
			Municipal Jewellery

Accounting Group	Asset Category	Asset Sub-category	Asset Group
			Works of Art
			Other Antiques and collections
Intangible assets	Intangible Assets	Servitudes	Electricity network servitudes
			Road access servitudes
			Stormwater network servitudes
			Water network servitudes
			Sanitation network servitudes
		Licenses and rights	Licenses and rights
Intangible assets (movables)	Computer Software	Computer Software	Computer Software
Investment property	Investment Property	Investment property	Improved property
			Unimproved property (land)

(b) An extended asset classification, as set out in ***Annexure A***, has been adopted, and asset hierarchies shall be progressively applied for each of the asset classes, separately identifying items at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant.

(c) PPE – Library Books

(i) The books in a library book collection shall be documented and recorded in the library computer systems.

(ii) Where exact costs are not available, the value of the library book collection shall be determined by applying a standard rate to the quantities of different library books of different ages. Where library books of a particular value or importance are kept in the library these shall be separately recorded and valued.

(d) Assets Treated as Inventory

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

(ii) Such inventories shall, however, be recorded in an inventory register in the same manner as other assets.

(e) Investment Properties

(i) Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE. If the Council of the Municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset.

(ii) The following types of Municipal Property **will be classified** as Investment Property –

(aa) Land held for long-term capital appreciation rather than for short- term sale in the ordinary course of operations which council intends to sell at a beneficial time in the future.

(bb) Land held for a currently undetermined future use.

(cc) A building owned by the Municipality (or held by the Municipality under a finance lease) and leased out under one or more operating leases on a commercial basis.

(dd) A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

(ee) Property that is being constructed or developed for future use as investment property.

(iii) The following types of Municipal Property will **not be classified** as Investment Property –

(aa) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale. This property is treated as inventory.

(bb) Property being constructed or developed on behalf of the Provincial Government Housing Department.

(cc) Owner-occupied property which is defined as property which is held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes as per definition criteria of GRAP 17 which includes all council buildings used for administration purposes.

(dd) Property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) are also regarded to be owner–occupied property.

(ee) Property that is leased to another entity under a finance lease.

(ff) Property held to provide a social service and which also generates cash inflows. For example, if council holds housing stock (letting units) used to provide housing to low-income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held.

(gg) Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation.

(hh) Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.

(ii) Properties held to provide services considered to be part of the municipalities mandated function.

5.3.3 Responsibilities

(a) The CFO shall ensure that the classification of assets adopted by the Municipality complies with the statutory requirements.

(b) The CFO shall ensure that the classifications indicated in ***Annexure A*** are applied, and in the case of an item of assets not appearing in the annexure, the classification applicable to the asset most closely comparable.

(c) When required, the CFO shall consult with the Senior Managers responsible for assets to ensure an effective and appropriate asset hierarchy is determined for each class of assets to component level.

(d) Every Senior Manager shall ensure that all assets under their control are classified correctly and shall advise the CFO when assets should be re-classified.

5.4 Identification of Assets

5.4.1 Definitions and Rules

(a) Asset identification system

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

5.4.2 Policy Statement

(a) An asset identification system shall be operated and applied in conjunction with an asset register. As far as practicable, every individual asset shall have a unique identification number - in the case of movable assets, if this identification number is not a barcode number due to impracticability of affixing such a tag to the asset, the serial number of the asset will be used as the unique identification number.

5.4.3 Responsibilities

(a) The Manager: Assets Management, in consultation with the CFO and Senior Managers, shall develop and implement an asset identification system to meet the policy objective.

(b) Senior Managers shall ensure that all the assets under their control are correctly barcoded or otherwise identifiable in the asset register.

5.5 Asset Register

5.5.1 Definitions and Rules

(a) Asset Register

An asset register is a database with information relating to each asset. The asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standard for each of the asset classes, and the strategic and operational asset management needs of the Municipality.

(b) Updating data in the Asset Register

The asset register is updated by the Asset Officers only when authorised and instructed to do so by the Manager: Assets Management.

5.5.2 Policy Statement

(a) An asset register shall be established and maintained to provide the data required to apply the applicable accounting standards, as well as other data considered by the Municipality to be necessary to support strategic asset management planning and operational management needs. The asset register shall reflect at least the following information –

(i) A brief but meaningful description of each asset;

(ii) The date on which the asset was acquired or commissioned into use;
(iii) The location of the asset;
(iv) The responsible department(s) or vote(s) within which the assets will be used;
(v) The title deed number, in the case of property;
(vi) The stand number, in the case of property;
(vii) Where applicable, the identification number;
(viii) The initial measurement basis used (Cost or Fair Value);
(ix) The original estimated useful life;
(x) The revised useful life;
(xi) The residual value;
(xii) The original cost, or the revalued amount or the fair value if no costs are available;
(xiii) The (last) revaluation date of the assets subject to revaluation;
(xiv) The revalued value of such assets;
(xv) Accumulated depreciation to date;
(xvi) The depreciation charge for the current financial year;
(xvii) The carrying value of the asset;
(xviii) Impairment losses incurred during the financial year (and the reversal of such losses, where applicable);
(xix) Increases or the decreases resulting from revaluations (if applicable);
(xx) The date on which the asset is disposed of;
(xxi) The disposal price (if any); and
(xxii) The date on which the asset is retired from use, if not disposed of.

(b) The asset register shall be updated and reconciled to the general ledger on a regular basis.

(c) Certain assets are not included individually in the asset register, but are listed in sub-registers, with a reference thereto in the main asset register – these types of assets are listed in ***Annexure C.***

5.5.3 Responsibilities

(a) The Manager: Assets Management, in consultation with the CFO and Senior Managers, shall define the format of the asset register, and shall ensure that the format complies with the prevailing accounting standards.
(b) Senior Managers shall provide the CFO with the data required to establish and update the asset register in a timely fashion.

(c) The CFO shall establish procedures to control the completeness and integrity of the asset register data, and ensure proper application of the control procedures.

5.6 Measurement at Recognition

5.6.1 Definitions and Rules

(a) <u>Calculation of initial cost price</u>

(i) Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the Municipality is not allowed to claim input VAT paid on acquisition of such assets. In such an instance, the Municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:

(aa) Costs of employee benefits (as defined GRAP 25) arising directly from the construction or acquisition of the item of the capital asset;

(bb) The cost of site preparation;

(cc) Initial delivery and handling costs; (dd) Installation costs;

(ee) Professional fees such as for architects and engineers; and

(ff) The estimated cost of dismantling and removing the asset and restoring the site.

(ii) When payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as an interest expense over the period of credit.

(b) Input Tax (VAT)

(i) In order for a Municipality to claim input tax, goods and services must be acquired by the Municipality for the purpose of consumption, use or supply in the course of making taxable supplies. It follows that a Municipality may not claim input tax where goods or services are acquired for the purposes of making exempt or other non-taxable supplies. The following are denied to be claimed as input tax –

(aa) Entertainment;

(bb) Motor Vehicles as defined in the VAT Act 89 of 1991; and

(cc) Goods and services it acquired as an agent on behalf of someone else.

(c) Measurement at recognition of PPE

An item of PPE that qualifies for recognition is measured at cost. Where an asset is required at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as on recognising PPE for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

(d) Measurement at recognition of heritage assets

Heritage assets will be measured at cost at initial recognition. However, where a heritage asset was acquired through a non-exchange transaction its cost is its fair value at the date of acquisition.

(e) Measurement at recognition of investment property

Investment property will be measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.

(f) Measurement at recognition of intangible assets

Intangible assets will be measured at cost at initial recognition. Where assets are acquired for

no or nominal consideration, the cost is deemed to equal the fair value of the asset on the data acquired.

(g) Fair Value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for asset (for example - land and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciation replacement cost (DRC) approach may be used. Assessment of fair values is to be made by a professional with qualifications and appropriate knowledge and experience in valuation of the respective assets.

(h) Cost of an item of infrastructure

The capitalisation value comprises (i) purchase price and (ii) any directly attributable cost necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the Municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

VAT is excluded (unless the Municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the Municipality should capitalise the cost of the asset together with VAT).

(i) Cost associated with heritage assets

Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.

(j) Directly Attributable Costs

(i) Directly attributable costs are defined as –

(aa) Cost of employee benefits arising directly from the construction or acquisition of the item;

(bb) Costs of site preparation; (cc) I n i t i a l delivery and handling;

(dd) Installation and assembly costs, cost of testing whether the asset is functioning properly, after deduction the net proceeds from selling any item produced while bringing the asset to that location and condition;

(ee) Commissioning (cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling an item produced while bringing the asset to its current condition and location); and

(ff) Professional fees (for example associated with design fees, supervision, and environmental impact assessments) (in the case of all asset classes).

(k) Changes in the existing decommissioning costs or restoration costs included in the costs of an item

(i) Changes in the measurement of an existing decommissioning cost or restoration cost as a result of changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, should be treated as follows – (aa) If the cost model is used –

(i) Changes in the liability shall be added to or deducted from the cost of the related asset;

(ii) If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit; and / or

(iii) If the adjustment results in an additional to the cost of an asset, the Municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the Municipality should test the asset for impairment.

(bb) If the revaluation model is used –

(i) A decrease in the liability shall be credited to the revaluation surplus, except that it shall be recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the surplus or deficit;

(ii) An increase in the liability shall be recognised in surplus or deficit, except that it shall be debited to the revaluation surplus to the extent that any credit balance may exist in the revaluation surplus in respect of asset;

(iii) If the decrease in liability exceeds the carrying amount that would have recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit; and / or

(iv) If the change in liability is an indication the asset may have to be re-valued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to surplus or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.

(l) Exchanges of Assets

In cases where assets are exchanged, the cost is deemed to be fair value of the acquired asset and the disposed asset is de-recognised. If the acquired asset is not measured at its fair value, its cost price will be the carrying amount of the asset given up.

(m) Finance Leases

A finance lease is recognised by the Municipality (the lessee) at the commencement of a lease as an asset and liability in the statement of financial position at equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct cost of the lessee is added to the amount recognised as an asset.

(n) Depreciated replacement cost

(i) The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful life (RUL) of each of the asset components. The CRC is the product of a unit rate and the extent of the component and represents the cost of replacing the asset, and in cases where the existing asset is obsolete, the replacement with a modern equivalent. The depreciable portion cost (DRC) is established by proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life.

Accordingly, the following formula is used –

DRC= (CRC-RV) ×RUL/EUL) +RV

(ii) Capital unit costs vary from site to site and provision is made for site specific influencing

factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as" supply-and- demand", economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of assets for escalation to the valuation date are applied.

(o) Self-constructed PPE

Self-constructed assets relate to all assets constructed by the Municipality itself or another party on instructions from the Municipality. All assets that can be classified as assets and that are constructed by the Municipality should be recorded in the asset register and each component that is part of this asset should be depreciated over its estimated useful life for that category of asset. Proper records are kept such that all costs associated with the construction of these are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

(p) Construction of future investment property

If property is developed for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use- then it shall be classified as an investment property.

(q) Deferred payment

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit.

5.6.2 Policy Statement

(a) An asset that qualifies for recognition shall be capitalised at cost. Interest on deferred payment will be expensed.

(b) In cases where complete cost data is not available or cannot be reliably linked to specific assets, the fair value of assets shall be adopted on the following basis:

(i) **PPE infrastructure, PPE other assets, PPE movable assets** - depreciated replacement cost;

(ii) **PPE land** and **PPE buildings** - values from the valuation roll (or in the event that such is not available, market value);

(iii) **Heritage assets** - market value (or in the event that such is not available, no value shall be indicated, but the existence of such heritage assets shall be disclosed by means of an appropriate note); if the cost or value of heritage assets cannot be measured reliably, a description of the nature of the asset and the fact that the cost cannot be measured reliably should be disclosed;

(iv) **Investment property** - values from the valuation roll (or in the event that such is not available, market value); and

(v) **Intangible assets** - depreciated replacement cost.

5.6.3 Responsibilities

(a) The CFO, in consultation with the Municipal Manager and Senior Managers, shall determine effective procedures for the capitalisation of assets on recognition.

(b) Every Senior Manager shall ensure that all assets under their control are correctly capitalised.

(c) Every Senior Manager shall advise the CFO of any deferred payments from the Municipality, providing the relevant details of such.

5.7 Measurement after recognition

5.7.1 Definitions and Rules

(a) Accounting models

(i) Accounting standards allow measurement after recognition of assets as follows –

(aa) PPE, Heritage assets and Intangible assets - on either a cost or revaluation model; and

(bb) Investment Property - either cost model or the fair value model.

(ii) Different models can be applied, providing the treatment is consistent per asset class.

(b) Cost Model

When the cost model is adopted, an asset is carried after recognition at its cost (or deemed cost) less any accumulated depreciated and any accumulated impairment losses.

(c) Revaluation Model

(i) When the revaluation model is adopted, an asset is carried after recognition at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

(ii) Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be re-valued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations if the re-valued amount decreases from the previous re- valued amount) in the Revaluation Reserve.

(iii) The revaluation surplus is transferred to the Accumulated Surplus (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the Municipality's Accumulated Surplus/Deficit Account. An adjustment of the aggregate transfer is made at the end of each financial year. If carrying amount based on the revaluation is less than the carrying value of the immovable asset recorded in the asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the immovable asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation. Such additional

depreciation expenses form a charge, in the first instance, against the balance in any Revaluation Reserve previously created for such asset, and to the extent that such balance is sufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question in.

(d) Investment Property

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The gain or loss from the change in fair the fair value of investment property shall be included in the surplus or deficit for the period in which it arises. The fair value of the investment property shall reflect market conditions at the date. Investment property shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year.

(e) Subsequent Expenses

(i) The Municipality should not recognise the costs of day-to-day servicing of the item in the carrying amount of an item of capital asset. These costs are recognised as expenditure as and when incurred. Day-to-day costs are primarily the costs of labour and consumables and may include the costs of small parts. The purpose of these expenditures is usually for the 'repair and maintenance' of the capital asset.

(ii) Expenses incurred in the maintenance or repair (reinstatement) of assets that ensures that the useful operating life of the asset is attained, are considered as operating expenses and not capitalised, irrespective of the quantum of the expenses concerned.

(iii) Parts of some capital assets may require replacement at regular intervals. For example, a road may need resurfacing every few years. It may be necessary to make less-frequently recurring replacement of parts, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle, an entity recognises in the carrying amount of the capital asset the cost of replacing the part of such an item when that cost is incurred if the recognition criteria are met. At the same time the part to be replaced should be derecognised.

(f) Rehabilitation / Enhancements/Renewals of capital assets

(i) Expenses incurred in the enhancement of assets (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of assets are capitalised. Such expenses are recognised once the Municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) - prior to this, the expenses are recorded as work-in-progress.

(ii) Expenditure to rehabilitate, enhance or renew an existing capital asset (including separately depreciable parts) can be recognised as capital if – (aa) The expenditure satisfies the recognition criteria;

(bb) That expenditure is enhancing the service provision of that capital asset beyond its original expectation and either that expenditure –

(i) Increases the useful life of that capital asset (beyond its original useful life);

(ii) Increases the capital asset capacity (beyond its original capacity);

(iii) Increases the performance of the capital asset (beyond the original performance);

(iv) Increases the functionality of that capital asset;

(v) Reduces the future ownership costs of that capital asset significantly; or

(vi) Increases the size of the asset or changes its shape.

(iii) The expenditure to restore the functionality of the capital asset to its original level is a maintenance or refurbishment expense and will not be capitalised to the carrying value of the capital asset. The rehabilitated or renewed separately depreciable part will be derecognised and the replacement will be recognised. Where the separately identifiable asset is rehabilitated or renewed, the amount incurred will be added to the carrying value of the asset.

5.7.2 Policy Statement

(a) Measurement after recognition shall be on the following basis –

(i) PPE excluding land and buildings facilities.

Cost Model – assets are stated at cost (or, if acquired through a non- exchange transaction, at its fair value) less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

(ii) Land and buildings facilities PPE

Revaluation Model – *Land* and *Buildings* are stated at fair value less accumulated depreciation and accumulated impairment losses subsequent to initial recognition. Depreciation is charged against *Buildings, structures and facilities* over their expected useful lives. Land is not depreciated as it is deemed to have an indefinite useful life. Changes in asset value as a result of revaluation shall be reflected in a Revaluation Reserve.

(iii) Investment Property

Fair value Model – after initial recognition, all investment property shall be measured at fair value, which reflects market conditions at the reporting date. Gains or Losses arising from changes in the fair value of investment property are included in the statement of financial performance in the year in which they arise.

(iv) Intangible Assets

Cost Model – assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset.

(v) Heritage Assets excluding land and buildings

Cost Model – these assets are stated at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated impairment losses. These heritage assets are not re-valued. If an asset that might be regarded as a heritage asset cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

(vi) Land and buildings Heritage Assets

Revaluation Model – Heritage assets are stated at fair value less accumulated depreciation and accumulated impairment losses subsequent to initial recognition.

(vii) Biological assets

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

(viii) Inventory property

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or Investment Property in the Municipality's asset register or statement of financial position. Inventory property shall be valued annually at reporting date at the lower of its carrying value or net realisable value, except where they are held for –

(aa) Distribution at no charge or for a nominal charge, or

(bb) Consumption in the production process of goods to be distributed at no charge or for a nominal charge:

Then they shall be measured at the lower of cost and current replacement cost.

5.7.3 Responsibilities

(a) The Manager: Assets Management, in consultation with the CFO and Senior Managers, shall determine effective procedures for the capitalisation of assets on recognition.

(b) Every Senior Manager shall ensure that all assets under their control are correctly capitalised.

(c) Every Senior Manager shall ensure that revaluations are conducted where applicable to assets under their control.

5.8 Depreciation and Estimated Useful Lives

5.8.1 Definitions and Rules

(a) Depreciation

(i) Depreciation is the systematic allocation of the depreciation amount of an asset over its remaining useful life. The amortisation of intangible assets is identical.

(ii) Land, servitudes and heritage assets are considered to have unlimited life and are not depreciated.

(b) Useful life

(i) Useful life is defined as the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity.

(ii) The expected useful life of a depreciable asset is the total expected period (or number of production units) for which an asset can be used economically by the Municipality. The remaining useful life of a depreciable asset is the time remaining until an asset cease to provide required standard of performance or economic usefulness.

(iii) Although various guidelines exist that includes directives for useful lives of assets, GRAP requires municipalities to use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for particular classes of assets. The calculation of useful life is based on a particular level of planned maintenance.

(c) Residual value

(i) The residual value is the estimated amount that the Municipality 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.

(ii) The residual values of most assets are however considered to be insignificant and therefore immaterial in the calculation of the depreciable amount. The reason is that the majority of municipal assets are hardly ever recovered through sale i.e. disposed of for amounts that are significant, but rather recovered through use of the asset until the end of its useful life, after which insignificant amounts, if any, are expected to be obtained, as these assets will most probably be replaced in its entirety.

(iii) Assets typically not sold by the Municipality are land, buildings, other structures and facilities, and infrastructure assets, which assets will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. Residual values will only be applicable to assets that are normally disposed of by selling them once the Municipality does not have a need for such assets anymore, e.g. motor vehicles. Past experiences of municipal auctions held revealed that furniture, computer equipment and other movable assets does not reach selling prices that are material.

(d) Depreciation Method

Depreciation of assets is applied at the component level. A range of depreciation methods exist and can be selected to model consumption of service potential or economic benefit (for example the straight-line method, diminishing amount method, percentage on reducing balance method, sum of the year digits method, production unit method). The approach used should reflect the consumption of the future economic benefits or services potential, and should be reviewed annually where there has been a change in the pattern of consumption.

(e) Remaining useful life

(i) The remaining useful life of a depreciable asset is the time remaining until an asset cease to provide required standard of performance or economic usefulness.

(ii) The remaining useful lives of all depreciable assets at initial recognition are the same as the expected useful lives.

(f) Review of remaining useful life

The remaining useful lives of depreciable PPE and Intangible assets are assessed every year at the reporting date for any indication that the expectations have changed since the preceding reporting date. If any such indication exists, the expected useful life shall be revised accordingly.

Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments (as contemplated in

Section 5.9 of this policy). Depreciation and amortisation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

(g) Depreciation charge

Depreciation starts once an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when it is de-recognised. Depreciation is initially calculated from the day when an asset item is acquired or - in the case of construction works and plants and machinery - the day when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, until the end of the calendar month concerned. Depreciation charges are calculated monthly.

(h) Carrying Amount

The carrying amount is the cost price/fair value amount after deducting any accumulated depreciation and accumulated impairment losses.

(i) Spares

The depreciation of capital spares commences immediately when it is available and, in the location, and condition necessary for it to be capable of operating in the manner intended by management. The depreciation continues once they are placed in services, or subsequently removed from services.

(j) Finance Lease

Depreciation assets financed through a finance lease will give rise to a depreciation expense and finance cost which will occur for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with GRAP 17 on Property, Plant and Equipment. If there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term, the asset will be fully depreciated over the shorter of the lease term and the asset's useful life.

5.8.2 Policy Statement

(a) Depreciation

(i) All PPE except land shall be deprecated over their remaining useful lives. Intangible assets (except servitudes) will be amortised over their remaining useful life.

(ii) The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other PPE.

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

(b) Useful lives

(i) The expected useful lives applied at MLM are indicated in ***Annexure A***. These figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions and operating conditions), the life-cycle strategy of the Municipality, potential technical obsolescence, and legal limits on the use of the assets.

(ii) The remaining useful lives of depreciable PPE and Intangible assets are assessed annually for any indication that the expectations have changed since the preceding reporting date. If any such indication exists, the expected useful life and/or residual value are revised accordingly. Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments. Depreciation and amortisation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

(iii) During annual physical verification of movable assets, an assessment of condition and use shall determine the appropriateness of the remaining useful lives, while for infrastructure assets, the useful lives shall be deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the remaining useful lives of these assets.

(c) Depreciation method

The method of depreciation shall be reviewed on an annual basis, though the straight-line basis shall be used in all cases unless determined otherwise.

(d) Residual values

(i) Residual values shall be determined upon initial recognition of assets that are normally disposed of by selling them once the Municipality does not have a need for such assets anymore, e.g. motor vehicles and earthmoving equipment. The basis of the residual value estimates shall be determined by the results of past sales of these types of assets at auctions when it reaches the end of its useful lives.

(ii) The residual value of assets shall be assessed annually for any indication that the expectations have changed since the preceding reporting date. If any such indication exists, the residual value shall be revised accordingly if significantly different from values previously determined. Changes in depreciation charges emanating from such reviews shall be accounted for as a change in accounting estimates in terms of GRAP 3.

5.8.3 Responsibilities

(a) Every Senior Manager shall ensure that a budgetary provision is made for the depreciation of assets under their control in the ensuing financial year, in consultation with the CFO.

(b) The Manager: Assets Management, in consultation with the CFO and Senior Managers, shall assign a useful operating life to each depreciable asset item recorded on the Municipality's asset register. In determining such a useful life, the useful lives set out in the ***Annexure A*** to this document shall be used as a guideline.

(c) In the case of an asset item which is not listed in ***Annexure A***, the Manager: Assets Management shall determine a useful operating life, if necessary, in consultation with the Senior Manager controlling or using the item in question, and shall be guided in determining such useful life by the likely pattern in which the item's economic benefits or service potential will be consumed.

(d) The CFO shall ensure that the expected useful lives stated in ***Annexure A*** are applied.

(e) Depreciation rates (expected useful lives) used shall be included in the approved accounting policy.

(f) Every Senior Manager shall be directly responsible for ensuring that all assets are properly maintained and, in a manner, which will ensure that such item attain their useful operating lives.

(g) The CFO shall indicate an annual date for the review of the remaining useful life of assets under the control of the respective Senior Managers.

(h) The Manager: Assets Management, in consultation with the CFO and Senior Managers, shall ensure that the useful lives of all depreciable assets in the asset register are annually reviewed.

(i) The Manager: Assets Management shall ensure that the expected useful lives of all assets under their control are annually reviewed.

(j) The Manager: Assets Management shall annually review the residual values of assets that are normally disposed of by selling them, and which reach selling prices that are material.

(k) The Manager: Assets Management shall ensure that depreciation calculations are correctly applied and posted in the general ledger.

(l) The Manager: Assets Management shall ensure that depreciation charges are debited on a regular basis (preferably monthly) and that the asset register is reconciled with the general ledger.

5.9 Impairment

5.9.1 Definitions and Rules

(a) <u>Impairment</u>

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

(b) <u>Indications of impairment</u>

(i) The Municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

(aa) External Sources of Information –

(i) Decline or cessation in demand;

(ii) Changes in the technological. Legal or government policy environment;

(iii) The carrying amount on the net assets of the entity is more than its market capitalisation; or

(iv) Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount materially.

(bb) A halt in construction could indicate impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

(cc) Internal Sources of Information –

(i) Evidence of physical damage;

(ii) Evidence of obsolescence;

(iii) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected date, and reassessing the useful life of an asset as finite rather than indefinite;

(iv) Cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;

(v) The actual net cash flow or operating profit or loss flowing from an asset ate significantly worse than those budgeted;

(vi) A significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss; flowing from the asset;

(vii) Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future; or

(viii) Other indications, such as loss of market value.

(c) Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postpones to a specific future date, the project may be treated as work in progress and is not considered as halted.

(d) Intangible assets

The Municipality must test all intangible assets not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period it is performed at the same time every year.

(e) Significant and Enduring Nature

The Municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance must be recorded. Where there are indications of impairment, the Municipality must estimate the recoverable services amount of the asset and also consider

adjustment of the remaining useful life, residual value, and method of depreciation.

(f) Impairment loss

(i) An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.

(ii) An impairment loss of a cash-generating unit (smallest group of assets that generate cash flows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

(g) Non-cash generating units

Non-cash-generating units are those assets (or group of assets) that are not held the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit.

(h) Cash-generating unit

Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

(i) Judgement

The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be non-cash generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether extent to which the asset generates cash flows is so significant that the asset is a non- cash-generating or a cash-generating asset. Judgement is needed in these circumstances.

(j) Recognition of impairment

(i) The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the assets revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

(ii) When no future economic benefit is likely to flow ab asset, it is derecognised and the carrying amount of the asset at the time of de- recognition, less any economic benefit from the de-recognition of the asset, is debited to the Standard of Financial Performance as a “Loss on Disposal of Asset”.

(iii) In the event of compensation received for damage to an item of immovable PPE, the compensation is considered as the assets ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/de-recognised.

(k) Reversing the impairment loss

The Municipality must assess each year from the source of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increase to its recoverable amount (providing that it does not exceed the carrying amount that would have determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

5.9.2 Policy Statement

(a) Assets shall be reviewed annually for impairment indicators. If any of the indicators are present, the Municipality shall make an estimate of the recoverable service amount.

(b) Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

(c) In this regard, the Municipality considers itself an entity whose primary objective is to provide goods and services for community or social benefits, and where positive cash flows are generated (such as from sale of trading services such as water services), these are with view to support the primary objective rather than for financial return to equity holders. Consequently, the Municipality adopts the impairment treatment for non-cash generating units in the impairment of its PPE, Heritage assets and Intangible assets.

(d) Impairment of assets shall be recognised as an expense in the Statement of Financial Performance when it occurs, unless it reverses a previous revaluation in which case it shall be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as an income.

5.9.3 Responsibilities

(a) The CFO shall indicate an annual date for the review of any impairment that may have occurred on assets under the control of the respective Senior Managers.

(b) The Senior Managers shall review any impairment on the assets under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material negative effect on the performance of these assets. The Senior Managers shall motivate to the CFO proposed changes to the performance of such assets and the necessary impairment that needs to be recognised on such assets.

(c) The Senior Managers should evaluate all assets for impairment, taking into consideration any discussions with the Manager: Assets Management and other Operating Managers.

(d) The Manager: Assets Management shall ensure that the asset register is updated with the information received, relating to the impairment, from the financial system where the

impairment journal has been processed.

5.10 De-recognition

5.10.1 Definition and Rules

(a) Alienation / Disposal

(i) Alienation / Disposal (alienation) is the process of disowning assets by transferring ownership or title to another owner, which is external to the Municipality. The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of capital assets.

(ii) Government Gazette no 31346 sets out the regulations regarding municipal asset transferred and disposals, for example type of assets that need approval to be disposed or transferred, timeframes and Council approval.

(iii) Disposal of assets should be approved by Council and where applicable at market-related value (or at auction / per tender in the case of movable assets). Section 14 of the MFMA prohibits the disposal of assets needed to provide the minimum level of basic municipal services.

(iv) Disposal of assets should be at fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent (the total proceeds discounted to the present value as at the transaction date). The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

(b) De-recognition

(i) Assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. An asset will remain in the asset register for as long as it is in physical existence or is yet to be written off.

(ii) The profit or loss on disposal (difference between carrying amount of the asset and the net disposal proceeds [or cost of de-commissioning and/or disposal of the asset]) shall be included in the statement of financial performance when the item is derecognised.

5.10.2 Policy Statement

(a) The only reasons for de-recognising assets, other than the alienation of such assets, shall be the loss, theft, destruction, material impairment, or decommissioning of the asset in question.

(b) Assets for which no future economic benefits or service potential are expected shall be identified and method of disposal and the association costs or income considered by Council, taking into account SCM regulations and the Municipality's Asset Transfer Policy. The carrying amount of the asset shall be de-recognised and the profit or loss on disposal shall be included in the statement of financial performance.

(c) External Transfer of assets

(i) When assets are transferred to other Government Departments or municipalities, a document with specific authorisation should be tied to the asset to ensure the validity of the transfer.

(ii) The document should also include –

(aa) Asset description; (bb) Cost of the asset; (cc) Date of acquisition;

(dd) Unique asset number; (ee) Effective date of transfer; (ff) Quantity; and

(gg) Authorisation by both transferor and transferee.

5.10.3 Responsibilities

(a) Assets shall be disposed of (alienated) only on the recommendation of the Senior Manager of the department controlling the asset.

(b) If the value of an item of PPE or intangible assets has been reduced to such an extent that it has no or a negligible further useful operating life or value such item shall be fully depreciated in the financial year in which such decrease in value occurs.

(c) Similarly, if an item of PPE has been lost, stolen or damaged beyond repair, it shall be impaired in the financial year in which such event occurs, and if the item has physically ceased to exist, it shall be de-recognised in the asset register.

(d) The Manager: Assets Management shall report to the CFO (or delegated official) on 31 July of each financial year on lost or stolen assets, i.e. assets identified through insurance claims or movable assets not verified during annual verification and not located after follow-up with the asset custodian, and after thorough investigation of incidents.

(e) The CFO (or delegated official) shall consolidate all such reports, and shall promptly make a submission to the Municipal Manager or Council on the assets to be de-recognised, the proposed method of disposal, and the estimated cost or income from such disposal.

(f) Council shall delegate to the Municipal Manager the authority to approve the alienation of any movable asset with a carrying value less than R 50,000 (fifty thousand rand). Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R 50 000 (fifty thousand rand) takes place in compliance with Section 14 of the MFMA.

(g) Council shall consider the submission for approval or, in cases where the carrying value of movable assets do not exceed R 50 000, the Municipal Manager shall consider the submission and make recommendation to the Council for adoption.

(h) Assets that are replaced in the normal course of the life-cycle renewal should be de-recognised and removed from the asset register. In this regard, Senior Managers shall provide details to the Manager: Assets Management (or delegated official) in order to accurately identify in the asset, register the assets replaced.

(i) The Manager: Assets Management shall de-recognise all assets disposed of (including assets replaced and written off) and update the asset register.

5.11 Insurance

5.11.1 Definition and Rules

(a) Insurance provides selected coverage for the accidental loss of asset value.

(b) Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury. The Municipality can however elect to insure certain infrastructure risks.

(c) The Municipality's *Insurance Management Policy* describes the rules and responsibilities **regarding the insuring of municipal assets**.

5.12 Funding Sources

5.12.1 Definition and Rules

(a) The MFMA provides guidelines on how to utilize funds in financing assets (Section 19 of MFMA). The Municipality utilise any of the following sources to acquire and / or purchase assets –

(i) Grants, Subsidies and Public Contributions;

(ii) Revenue Contributions;

(iii) Capital Replacement Reserve (CRR);

(iv) Self-Insurance Reserve (SIR);

(v) Cash Surplus; and / or

(vi) External / Donor Funds.

5.12.2 Policy Statement

(a) The annual capital budget shall be funded and the sources of finance disclosed as part of the Council's budget.

(b) It is the policy of Council to maintain and annually make contributions to a CRR to ensure that the CRR remains a capital funding source for the future. The Municipality will determine its future capital financing requirements and transfer sufficient cash to its CRR in terms of this determination. The IDP, the Municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR.

5.12.3 Responsibilities

(a) The CFO shall ensure that in respect of all assets financed from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of assets donated to the Municipality, a grants reserve or public contribution reserve for future depreciation is created equal in value to the capitalised

value of each asset item in question.

(b) The CFO shall thereafter ensure that in the case of depreciable assets an amount equal to the annual depreciation expenses of the items concerned are transferred.

(c) The CFO shall ensure that in respect of all assets financed from the CRR, whenever an asset (including land) is sold by the Municipality, the proceeds on the sale of the assets are transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets, and whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased, is transferred from the CRR into accumulated surplus.

(d) The CFO shall annually determine the amount to be transferred from the Accumulated Surplus to the Self-Insurance Reserve.

6. POLICY STATEMENT FOR ASSET SAFEGUARDING

6.1 Definitions and Rules

(a) The Municipality applies control and safeguards to ensure that assets are protected against improper use, loss, theft, malicious damage or accidental damage.

(b) The existence of assets is physically verified from time-to-time, and measures adopted to control their use. Budgetary constraints may however restrict the measures adopted.

(c) The Municipality may allocate day-to-day duties relating to such control, verification and safekeeping to asset custodians, and record such in the asset register.

6.2 Policy Statement

(a) Asset safeguarding directives and procedures shall be prepared for all assets indicating measures that are considered effective to ensure that all assets under control of the Municipality are appropriately safeguarded from inappropriate use or loss, including access controls at municipal buildings and sites. Day-to-day duties relating to such control, verification and safekeeping may be allocated to asset custodians.

(b) The existence, condition and location of assets are physically verified from time-to-time (annually for movable assets), including a condition assessment to identify indicators of impairment and determine the impact on an asset's
remaining useful life.

(c) No asset may be moved without the prior consent of the respective Senior Manager and notification of the Manager: Assets Management.

6.3 Responsibilities

(a) The Manager: Assets Management shall prepare and submit to the CFO procedures to be implemented and standard forms to be utilised for the effective management of movement of assets from one location to another (both internal and external), transfers of

assets from one custodian to another, and reporting of damage, in consultation with the Senior Managers.

(b) Senior Managers shall enforce the application of the procedures for controlling and safeguarding the Municipality's assets, including the movement of assets and confirmation of verified assets during annual verification, as prescribed by the CFO.

(c) It is the responsibility of all municipal staff to adhere and practice strict physical controls of the assets around their work area.

(d) Senior Managers shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.

(e) Malicious damage, theft, and break-ins must be reported to the Municipal Manager of delegated person within 48 hours of its occurrence or awareness by the respective Senior Manager.

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

7. RESPONSIBILITIES

7.1 This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council and the Mayor and the Council and the Municipal Manager.

7.2 In accordance with the Municipal Finance Management Act, the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him / her. The Municipal Manager is therefore accountable for all transactions entered into by his / her designates.

7.3 The overall responsibility of asset management lies with the Municipal Manager. However, the day-to-day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing.

7.3.1 Municipal Manager

(a) The Municipal Manager is responsible for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.

(b) The Municipal Manager shall ensure that –

(i) An Asset Management Committee is established, through which all asset processes and procedures will be implemented;

(ii) The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality;

(iii) The Municipality's assets are valued in accordance with the standards of generally recognised accounting practice (GRAP);

(iv) The Municipality has and maintains a system of internal control of assets, including an asset register; and

(v) The Senior Managers and their teams comply with this policy.

(c) As Accounting Officer of the Municipality, the Municipal Manager shall be the principal custodian of all the Municipality's assets, and shall be responsible for ensuring that this policy is effectively applied upon adoption by Council. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the CFO and Senior Managers, of procedures to effectively and efficiently apply this policy.

7.3.2 Chief Financial Officer

(a) The Chief Financial Officer (CFO) is responsible to the Municipal Manager to ensure that the financial investment made in the municipal assets is safeguarded and maintained.

(b) The CFO shall also ensure, in exercising his / her financial responsibilities, that–

(i) Appropriate systems of financial management and internal control are established and carried out for all assets;

(ii) Processes are established to ensure the appropriate measurement and valuation of different asset types as required by relevant standards of GRAP;

(iii) The financial and other resources of the Municipality are utilized effectively, efficiently, economically and transparently;

(iv) All revenue due to the Municipality related to municipal assets is collected, for example rental income from leasing of immovable assets;

(v) The systems, procedures and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of effective management;

(vi) Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;

(vii) The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;

(viii) The Senior Managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;

(ix) All acquisitions of assets are in accordance with the Supply Chain Management Policy;

and

(x) This policy and support procedures are established, maintained and effectively communicated.

(c) The CFO may delegate or otherwise assign responsibilities for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be the asset registrar of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised asset register is maintained. No amendments, deletions or additions to the asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

7.3.3 Senior Managers

(a) Senior Managers (the managers directly accountable to the Municipal Manager) shall ensure that –

(i) Appropriate systems of physical management and control are established and carried out for all assets;

(ii) The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;

(iii) Procedures are adopted and implemented in conformity with this policy to produce reliable data to be captured into the municipal asset register;

(iv) All employees in their departments adhere to the approved Financial Asset Management Policy and Procedures;

(v) Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;

(vi) The asset management system, processes and controls can provide an accurate, reliable and up to date account of assets under their control;

(vii) They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the Municipality's strategic objectives; and

(viii) They manage the asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.

(b) The Senior Managers may delegate or otherwise assign responsibility for performing these functions but they shall remain accountable for ensuring these activities are performed.

7.3.4 Manager: Assets Management

(a) The CFO shall delegate the following duties to the Manager: Assets Management –

(i) Ensuring that council assets are accounted for in accordance with Generally Recognised Accounting Practice (GRAP);

(ii) Ensuring that the general ledger is reconciled to the asset register;

(iii) Reviewing the reconciliation between the general ledger and the asset register; and

(iv) Providing the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.

(b) No amendments to the asset register shall be made other than those authorised by the Manager: Assets Management and the Chief Financial Officer.

(c) The Manager: Assets Management, together with the Asset Management Section, shall be responsible for ensuring that –

(i) A centralised asset register is implemented and maintained;

(ii) Physical asset verification is performed annually to verify movable assets on the asset register. The results of this verification must be reported to the CFO (or delegated official);

(iii) Proper accounting processes and procedures are implemented in conformity with the municipal financial policies and the MFMA to produce reliable data for inclusion in the municipal asset register; and

(iv) The asset management systems, processes and controls can provide an accurate, reliable and up-to-date account of assets under their control.

The Manager: Assets Management may delegate or otherwise assign responsibility for performing these functions, but he / she will remain accountable for ensuring that these activities are performed.

7.3.5 Manager: Budgets and Cost Accounting

(a) The Manager: Budgets and Cost Accounting, together with the Budgeting Section, shall be responsible for ensuring that –

(i) A clear description is provided with each project and the appropriate funding source is identified; and

(ii) Capital funds are released only after receiving written authority and a clear and concise description of the item to be purchased.

7.3.6 Manager: Expenditure

(a) The Manager: Expenditure, together with the Expenditure Section, shall be responsible for ensuring that –

(i) Invoices authorised for payment are matched to a confirmation of goods or services received before processing such payment.

7.3.7 Manager: Supply Chain Management

(a) The Manager: SCM, together with the SCM Division, shall be responsible for ensuring

that –

(i) Correct procedures are followed in asset acquisitions as per the Municipality's Supply Chain Management Policy; and

(ii) The Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee comply with and be constituted in accordance with the Supply Chain Management Policy.

7.3.8 Manager: Human Resources

(a) The Manager: Human Resources, together with his / her division, shall be responsible for ensuring that –

(i) On termination of service of an employee, the Asset Management Section is informed in writing of the termination and the date of the final working day of the employee, to ensure that verification of assets under the custodianship of the employee is performed.

(ii) No monies are paid out on termination of service of an employee without receiving the relevant asset checklist form signed off by the Manager: Assets Management.

8. ANNEXURES

ANNEXURE A: ASSET CLASSIFICATION

PROPERTY, PLANT AND EQUIPMENT			
PPE - INFRASTRUCTURE ASSETS			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
ELECTRICITY	WORK IN PROGRESS		n/a
ELECTRICITY	HIGH VOLTAGE	HV OVERHEAD LINE	50
ELECTRICITY	HIGH VOLTAGE	HV UNDERGROUND CABLE	50
ELECTRICITY	HIGH VOLTAGE	OTHER ASSETS	15-50
ELECTRICITY	HIGH VOLTAGE	RING MAIN UNIT	45
ELECTRICITY	HIGH VOLTAGE SUBSTATION	OTHER ASSETS	10
ELECTRICITY	HIGH VOLTAGE SUBSTATION	HV SWITCHGEAR	50
ELECTRICITY	HIGH VOLTAGE SUBSTATION	OTHER ASSETS	15-50
ELECTRICITY	HIGH VOLTAGE SUBSTATION	BUILDING STRUCTURES	15-50
ELECTRICITY	HIGH VOLTAGE SUBSTATION	ELECTRICAL PLANT	10-35
ELECTRICITY	HIGH VOLTAGE SUBSTATION	OUTDOOR AIS ISOLATOR	50
ELECTRICITY	HIGH VOLTAGE SUBSTATION	OUTDOOR AIS ISOLATOR PANTO	50
ELECTRICITY	HIGH VOLTAGE SUBSTATION	PANELS	45
ELECTRICITY	MEDIUM VOLTAGE	DISTRIBUTION TRANSFORMER	50
ELECTRICITY	MEDIUM VOLTAGE	MINI SUBSTATION	50
ELECTRICITY	MEDIUM VOLTAGE	MV OVERHEAD LINE	50
ELECTRICITY	MEDIUM VOLTAGE	MV UNDERGROUND CABLE	50
ELECTRICITY	MEDIUM VOLTAGE	RING MAIN UNIT	45
ELECTRICITY	MEDIUM VOLTAGE SUBSTATION	DISTRIBUTION TRANSFORMER	50
ELECTRICITY	MEDIUM VOLTAGE SUBSTATION	MV SWITCHGEAR	50
ELECTRICITY	MEDIUM VOLTAGE SUBSTATION	OTHER ASSETS	10-50
ELECTRICITY	MEDIUM VOLTAGE SUBSTATION	BUILDING STRUCTURES	15-50
ELECTRICITY	MEDIUM VOLTAGE	PROTECTION PANEL	45

PROPERTY, PLANT AND EQUIPMENT			
PPE - INFRASTRUCTURE ASSETS			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
	SUBSTATION		
ELECTRICITY	MEDIUM VOLTAGE SUBSTATION	RING MAIN UNIT	45
ELECTRICITY	MEDIUM VOLTAGE SUBSTATION	ELECTRICAL PLANT	10-35
ELECTRICITY	LOW VOLTAGE	LV OVERHEAD LINE	50
ELECTRICITY	LOW VOLTAGE	LV UNDERGROUND CABLE	50
ELECTRICITY	LOW VOLTAGE	CONSUMER CONNECTION CABLE	50
ELECTRICITY	LOW VOLTAGE	ELECTRICAL PLANT	10-35
ELECTRICITY	LOW VOLTAGE	STREET LIGHT	25
ELECTRICITY	LOW VOLTAGE	CONSUMER CONNECTION POINT	50
ELECTRICITY	LOW VOLTAGE	STREET LIGHT CABLE	50
WATER SUPPLY	WORK IN PROGRESS		n/a
WATER SUPPLY	BOREHOLE	CIVIL STRUCTURE	5-50
WATER SUPPLY	BOREHOLE	MECHANICAL PLANT	15-30
WATER SUPPLY	BOREHOLE	CIVIL STRUCTURE	15-100
WATER SUPPLY	BOREHOLE	ELECTRICAL PLANT	5-50
WATER SUPPLY	BOREHOLE	OTHER ASSETS	5-50
WATER SUPPLY	BOREHOLE	BUILDING STRUCTURES	15-50
WATER SUPPLY	BULK WATER PIPELINE	CIVIL STRUCTURE	20-50
WATER SUPPLY	BULK WATER PIPELINE	ELECTRICAL PLANT	15
WATER SUPPLY	BULK WATER PIPELINE	MECHANICAL PLANT	15
WATER SUPPLY	BULK WATER PIPELINE	PIPES	20-100
WATER SUPPLY	CONSUMER CONNECTIONS	ELECTRICAL PLANT	50
WATER SUPPLY	CONSUMER CONNECTIONS	OTHER ASSETS	50
WATER SUPPLY	DAM	CIVIL STRUCTURE	5-100
WATER SUPPLY	DAM	ELECTRICAL PLANT	5-50
WATER SUPPLY	DAM	MECHANICAL PLANT	1-50
WATER SUPPLY	DAM	OTHER ASSETS	10-50

PROPERTY, PLANT AND EQUIPMENT			
PPE - INFRASTRUCTURE ASSETS			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
WATER SUPPLY	DAM	BUILDING STRUCTURES	15-50
WATER SUPPLY	DAM	OTHER ASSETS	5-20
WATER SUPPLY	SPRING	CIVIL STRUCTURE	5-100
WATER SUPPLY	SPRING	ELECTRICAL PLANT	5-50
WATER SUPPLY	SPRING	MECHANICAL PLANT	1-50
WATER SUPPLY	SPRING	OTHER ASSETS	5-50
WATER SUPPLY	SPRING	BUILDING STRUCTURES	15-50
WATER SUPPLY	WATER CHANNEL	CIVIL STRUCTURE	5-100
WATER SUPPLY	WATER CHANNEL	MECHANICAL PLANT	15
WATER SUPPLY	WATER CHANNEL	ELECTRICAL PLANT	5-50
WATER SUPPLY	WATER CHANNEL	OTHER ASSETS	15-50
WATER SUPPLY	WATER PIPELINE	CIVIL STRUCTURE	20-50
WATER SUPPLY	WATER PIPELINE	ELECTRICAL PLANT	15
WATER SUPPLY	WATER PIPELINE	MECHANICAL PLANT	15
WATER SUPPLY	WATER PIPELINE	PIPES	20-100
WATER SUPPLY	WEIR	CIVIL STRUCTURE	5-100
WATER SUPPLY	WEIR	ELECTRICAL PLANT	5-50
WATER SUPPLY	WEIR	MECHANICAL PLANT	15-50
WATER SUPPLY	WEIR	OTHER ASSETS	5-50
WATER SUPPLY	WEIR	BUILDING STRUCTURES	10-50
WATER SUPPLY	PUMP STATION	CIVIL STRUCTURE	5-100
WATER SUPPLY	PUMP STATION	ELECTRICAL PLANT	5-50
WATER SUPPLY	PUMP STATION	MECHANICAL PLANT	1-50
WATER SUPPLY	PUMP STATION	OTHER ASSETS	5-50
WATER SUPPLY	PUMP STATION	BUILDING STRUCTURES	15-50
WATER SUPPLY	RESERVOIR	CIVIL STRUCTURE	5-100
WATER SUPPLY	RESERVOIR	ELECTRICAL PLANT	5-50
WATER SUPPLY	RESERVOIR	MECHANICAL PLANT	1-50
WATER SUPPLY	RESERVOIR	OTHER ASSETS	5-50
WATER SUPPLY	RESERVOIR	BUILDING STRUCTURES	15-50
WATER SUPPLY	WATER TREATMENT WORKS	CIVIL STRUCTURE	5-100

PROPERTY, PLANT AND EQUIPMENT			
PPE - INFRASTRUCTURE ASSETS			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
WATER SUPPLY	WATER TREATMENT WORKS	ELECTRICAL PLANT	5-50
WATER SUPPLY	WATER TREATMENT WORKS	MECHANICAL PLANT	1-50
WATER SUPPLY	WATER TREATMENT WORKS	OTHER ASSETS	5-50
WATER SUPPLY	WATER TREATMENT WORKS	BUILDING STRUCTURES	15-50
SANITATION	WORK IN PROGRESS		n/a
SANITATION	BULK SEWER PIPELINE	CIVIL STRUCTURE	20-50
SANITATION	BULK SEWER PIPELINE	ELECTRICAL PLANT	15
SANITATION	BULK SEWER PIPELINE	MECHANICAL PLANT	15
SANITATION	BULK SEWER PIPELINE	PIPES	20-100
SANITATION	SEWER PIPELINE	CIVIL STRUCTURE	20-50
SANITATION	SEWER PIPELINE	ELECTRICAL PLANT	15
SANITATION	SEWER PIPELINE	MECHANICAL PLANT	15
SANITATION	SEWER PIPELINE	PIPES	20-100
SANITATION	CONSUMER CONNECTIONS	OTHER ASSETS	50
SANITATION	PUMP STATION	CIVIL STRUCTURE	5-100
SANITATION	PUMP STATION	ELECTRICAL PLANT	5-50
SANITATION	PUMP STATION	MECHANICAL PLANT	1-50
SANITATION	PUMP STATION	OTHER ASSETS	10-50
SANITATION	PUMP STATION	BUILDING STRUCTURES	15-50
SANITATION	PUMP STATION	OTHER ASSETS	5-20
SANITATION	SEWAGE TREATMENT WORKS	CIVIL STRUCTURE	5-100
SANITATION	SEWAGE TREATMENT WORKS	ELECTRICAL PLANT	5-50
SANITATION	SEWAGE TREATMENT WORKS	MECHANICAL PLANT	1-50
SANITATION	SEWAGE TREATMENT WORKS	OTHER ASSETS	10-50

PROPERTY, PLANT AND EQUIPMENT			
PPE - INFRASTRUCTURE ASSETS			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
SANITATION	SEWAGE TREATMENT WORKS	BUILDING STRUCTURES	15-50
SANITATION	SEWAGE TREATMENT WORKS	OTHER ASSETS	5-20
ROAD TRANSPORT	WORK IN PROGRESS		n/a
ROAD TRANSPORT	FOOTPATHS	CIVIL STRUCTURE	20-50
ROAD TRANSPORT	PARKING BAYS	CIVIL STRUCTURE	20-50
ROAD TRANSPORT	ROAD	CIVIL STRUCTURE	7-50
ROAD TRANSPORT	ROAD	OTHER ASSETS	10-50
ROAD TRANSPORT	STRUCTURE	CIVIL STRUCTURE	20-100
ROAD TRANSPORT	TAXI RANK	CIVIL STRUCTURE	20-50
ROAD TRANSPORT	TAXI RANK	OTHER ASSETS	10-50
ROAD TRANSPORT	TAXI RANK	BUILDING STRUCTURES	15-50
STORM WATER	WORK IN PROGRESS		n/a
STORMWATER	ATTENUATION POND	CIVIL STRUCTURE	20-100
STORMWATER	ATTENUATION POND	OTHER ASSETS	50
STORMWATER	CHANNEL	CIVIL STRUCTURE	5-100
STORMWATER	CHANNEL	OTHER ASSETS	50
STORMWATER	CULVERT	CIVIL STRUCTURE	20-50
STORMWATER	CULVERT	STORMWATER PIPE	50
STORMWATER	EMBANKMENT	CIVIL STRUCTURE	20-100
STORMWATER	EROSION PROTECTION	CIVIL STRUCTURE	20-100
STORMWATER	EMBANKMENT	MECHANICAL PLANT	15
STORMWATER	EROSION PROTECTION	CIVIL STRUCTURE	20
STORMWATER	EROSION PROTECTION	OTHER ASSETS	50
STORMWATER	STORMWATER PIPELINE	CIVIL STRUCTURE	30-50
STORMWATER	STORMWATER PIPELINE	ELECTRICAL PLANT	15
STORMWATER	STORMWATER PIPELINE	MECHANICAL PLANT	15
STORMWATER	STORMWATER PIPELINE	PIPES	50
SOLID WASTE	WORK IN PROGRESS		n/a

PROPERTY, PLANT AND EQUIPMENT			
PPE - INFRASTRUCTURE ASSETS			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
DISPOSAL			
SOLID WASTE DISPOSAL	LANDFILL	CIVIL STRUCTURE	5-100
SOLID WASTE DISPOSAL	LANDFILL	ELECTRICAL PLANT	5-50
SOLID WASTE DISPOSAL	LANDFILL	MECHANICAL PLANT	15-30
SOLID WASTE DISPOSAL	LANDFILL	OTHER ASSETS	5-50
SOLID WASTE DISPOSAL	LANDFILL	BUILDING STRUCTURES	15-50
SOLID WASTE DISPOSAL	TRANSFER STATIONS	CIVIL STRUCTURE	5-100
SOLID WASTE DISPOSAL	TRANSFER STATIONS	ELECTRICAL PLANT	5-50
SOLID WASTE DISPOSAL	TRANSFER STATIONS	MECHANICAL PLANT	30
SOLID WASTE DISPOSAL	TRANSFER STATIONS	OTHER ASSETS	5-50
SOLID WASTE DISPOSAL	TRANSFER STATIONS	BUILDING STRUCTURES	15-50

PPE - LAND			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
LAND VACANT			n/a
LAND WITH IMPROVEMENTS			n/a
PPE - BUILDINGS, STRUCTURES AND FACILITIES			
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**HIERARCHY LEVEL 3**	**ESTIMATED USEFUL LIFE**
BUILDINGS	WORK IN PROGRESS		n/a
BUILDINGS	OPERATIONAL BUILDINGS	BUILDING STRUCTURES	10-50
BUILDINGS	OPERATIONAL BUILDINGS	OTHER ASSETS	5-50
BUILDINGS	OPERATIONAL	CIVIL STRUCTURE	50

	BUILDINGS		
BUILDINGS	OPERATIONAL BUILDINGS	CIVIL STRUCTURE	30
BUILDINGS	OPERATIONAL BUILDINGS	ELECTRICAL PLANT	5-50
BUILDINGS	HOUSING BUILDING	BUILDING STRUCTURES	10-50
BUILDINGS	HOUSING BUILDING	OTHER ASSETS	5-50
BUILDINGS	HOUSING BUILDING	CIVIL STRUCTURE	50
BUILDINGS	HOUSING BUILDING	CIVIL STRUCTURE	30
BUILDINGS	HOUSING BUILDING	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	CEMETERY	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	BUILDING STRUCTURES	15-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	BUILDING STRUCTURES	15-50

PPE - OTHER ASSETS

HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	HIERARCHY LEVEL 3	ESTIMATED USEFUL LIFE
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	WORK IN PROGRESS		n/a
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	OTHER ASSETS	5-50

COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	CEMETERY	CIVIL STRUCTURE	20-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	CEMETERY	OTHER ASSETS	5-50
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COMMUNITY, CEMETERIES, SPORTS AND RECREATION	IRRIGATION PIPELINE	MECHANICAL PLANT	15

COMMUNITY, CEMETERIES, SPORTS AND RECREATION	IRRIGATION PIPELINE	PIPES	20-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	CIVIL STRUCTURE	20-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	ELECTRICAL PLANT	15-40
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	CIVIL STRUCTURE	15-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	MECHANICAL PLANT	15
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	OTHER ASSETS	5-50

PPE - MOVABLE ASSETS		
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
TRANSPORT ASSETS (MOTOR VEHICLES)	CONSTRUCTION, EARTHMOVING AND MAINTENANCE VEHICLES	15-20
TRANSPORT ASSETS (MOTOR VEHICLES)	EMERGENCY VEHICLES	7-20
TRANSPORT ASSETS (MOTOR VEHICLES)	LDVS AND 4X4S	7
TRANSPORT ASSETS (MOTOR VEHICLES)	MOTORCYCLES AND BICYCLES	5-7
TRANSPORT ASSETS (MOTOR VEHICLES)	PASSENGER VEHICLES	7
TRANSPORT ASSETS (MOTOR VEHICLES)	TRACTORS	15-20

TRANSPORT ASSETS (MOTOR VEHICLES)	TRAILERS AND ACCESSORIES	10
TRANSPORT ASSETS (MOTOR VEHICLES)	TRUCKS AND BUSES	15
TRANSPORT ASSETS (MOTOR VEHICLES)	VEHICLE ACCESSORIES	7
TRANSPORT ASSETS (MOTOR VEHICLES)	WATERCRAFT	7-10
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COMPUTER EQUIPMENT	COMPUTER NETWORKS	10
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
MACHINERY AND EQUIPMENT	COMPRESSORS, GENERATORS AND ALLIED EQUIPMENT	7
MACHINERY AND EQUIPMENT	CONTAINERS AND WENDYHOUSES	10
MACHINERY AND EQUIPMENT	FIRE AND EMERGENCY EQUIPMENT	7
MACHINERY AND EQUIPMENT	GARDENING EQUIPMENT	5
MACHINERY AND EQUIPMENT	LABORATORY EQUIPMENT	5
MACHINERY AND EQUIPMENT	LAW ENFORCEMENT EQUIPMENT	5-10
MACHINERY AND EQUIPMENT	MUSICAL INSTRUMENTS	15
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MACHINERY AND EQUIPMENT	RADIO EQUIPMENT	5
MACHINERY AND EQUIPMENT	SECURITY EQUIPMENT AND SYSTEMS	10
MACHINERY AND EQUIPMENT	SPORTS AND RECREATIONAL EQUIPMENT	10
MACHINERY AND EQUIPMENT	TELECOMMUNICATIONS EQUIPMENT	10
MACHINERY AND EQUIPMENT	WORKSHOP EQUIPMENT AND LOOSE TOOLS	7
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FURNITURE AND OFFICE EQUIPMENT	AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	10
FURNITURE AND OFFICE EQUIPMENT	AUDIOVISUAL AND PHOTOGRAPHIC EQUIPMENT	5

FURNITURE AND OFFICE EQUIPMENT	CABINETS AND CUPBOARDS	7
FURNITURE AND OFFICE EQUIPMENT	CHAIRS AND COUCHES	7
FURNITURE AND OFFICE EQUIPMENT	DESK AND TABLES	7
FURNITURE AND OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	7
FURNITURE AND OFFICE EQUIPMENT	DOMESTIC FURNITURE	7

HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
FURNITURE AND OFFICE EQUIPMENT	OFFICE MACHINES	5
FURNITURE AND OFFICE EQUIPMENT	PAINTINGS, SCULPTURES AND ORNAMENTS	7
FURNITURE AND OFFICE EQUIPMENT	OTHER FURNITURE AND FITTINGS	7-10
FURNITURE AND OFFICE EQUIPMENT	OTHER OFFICE EQUIPMENT	7-10
FURNITURE AND OFFICE EQUIPMENT	SHELVING AND BOOKCASES	7
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
BINS AND CONTAINERS	BINS AND CONTAINERS	10
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
BOOKS & MANUALS	BOOKS	3-5
BOOKS & MANUALS	MANUALS	3-5
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
LEASED ASSETS	LEASED MACHINERY AND EQUIPMENT	AS PER AGREEMENT

INTANGIBLE ASSETS		
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
CAPITALISED DEVELOPMENT COST	CAPITALISED DEVELOPMENT COST	3-10
COMPUTERS SOFTWARE AND SYSTEMS	COMPUTER SOFTWARE	3-5
COMPUTERS SOFTWARE AND SYSTEMS	COMPUTER SYSTEMS	5-10
PLANS AND DESIGNS	MASTER PLANS	5-10

LICENCES AND RIGHTS	SERVITUDES	0
LICENCES AND RIGHTS	RIGHTS	AS PER AGREEMENT

INVESTMENT PROPERTY		
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
INVESTMENT PROPERTY	COMMERCIAL PROPERTY	n/a
INVESTMENT PROPERTY	RESIDENTIAL PROPERTY	n/a
INVESTMENT PROPERTY	LAND HELD FOR APPRECIATION OR DEVELOPMENT PURPOSES	n/a
INVESTMENT PROPERTY	LAND WITH UNDETERMINED USE	n/a

HERITAGE ASSETS		
HIERARCHY LEVEL 1	**HIERARCHY LEVEL 2**	**ESTIMATED USEFUL LIFE**
CONSERVATION AREAS AND NATURE RESERVES	CONSERVATION AREAS	n/a
CONSERVATION AREAS AND NATURE RESERVES	NATURE RESERVES	n/a
HISTORICAL BUILDINGS AND SITES	HISTORICAL BUILDINGS	n/a
HISTORICAL BUILDINGS AND SITES	HISTORICAL SITES	n/a
STATUES, MONUMENTS AND MEMORIALS	MEMORIALS	n/a
STATUES, MONUMENTS AND MEMORIALS	STATUES / MONUMENTS	n/a
WORKS OF ART, REGALIA AND COLLECTIONS	REGALIA	n/a
WORKS OF ART, REGALIA AND COLLECTIONS	EXHIBITS / COLLECTIONS	n/a
WORKS OF ART, REGALIA AND COLLECTIONS	WORKS OF ART	n/a

ANNEXURE B: ASSET TYPES NOT CAPITALISED

- Kitchen equipment of insignificant or below capital threshold value such as: Kettles, Pump flasks, Toaster, Sandwich pressers, Two plate stoves, Hotplates, cutlery etc.
- Desktop fans
- Element heaters
- Fan heaters
- Mattresses
- IT Equipment of insignificant or below capital threshold value such as: External DVD writer, flash drive, Key-board, Mouse, PC speakers etc. Where the cost of extra items such as a key board is included in the value of the main asset purchase, the cost of this will be included in the cost of the main item
- Stationery equipment, for example punches (not heavy duty), staplers (not heavy duty), etcetera
- Loose tools, for example socket sets, screw drivers, pliers, small tool chargers, tap/die sets etc.
- Cleaning utensils, for example brooms and mops
- Construction/gardening tools, for example trowels, shovels, rakes, picks and wheel barrows
- Decorative items of insignificant or below capital threshold value such as: Mirrors, Pictures, frames, Pots, Wall clocks etc.
- Other, as may be determined by management

ANNEXURE C: ASSET TYPES LISTED IN SUB-REGISTERS

- Telephones
- Workshop equipment for example angle grinders, drills, jigsaws, etc.
- Toolbox items for example hall chairs
- Other, as may be determined by management

ANNEXURE F

Stock Management Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1. Background

1.1 The stores and stock management function shall be geographically decentralised and will operate under the supervision of the Manager: Supply Chain Management and under the direct control of the section head for Logistics and Disposals.

1.2 The section head for Logistics and Disposals shall ensure proper financial control, uphold the principle of effective administration, proper stock holding and control, a high standard of service levels as well as product standardisation and ensuring good quality of products.

2. Objective

2.1 The aim of this policy is to ensure continued availability of materials for rendering services to the community, by following due processes and procedures that are consistent with Council's Supply Chain Management Policy and other applicable legal and policy frameworks.

3. Accountability

3.1 In accordance with section 62(1)(c) of the Municipal Finance Management Act (Act 56 of 2003), referred to as the MFMA, the accounting officer of the Municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

4. Principles of Stock Management

4.1 The principles of stock management are as follows –

4.1.1 Consolidation of stock items to avoid duplication and redundancy;

4.1.2 Managing the stores in an efficient and cost-effective manner;

4.1.3 Managing and monitoring of stock levels;

4.1.4 The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

4.1.5 Maintaining an effective item identification system;

4.1.6 Avoiding fruitless and wasteful expenditure by disposing redundant material on time;

4.1.7 Designing and implementing internal control systems that seeks to ensure that the Municipality minimizes theft and avoidable losses;

4.1.8 All stock items in the Stock System are coded to ensure that each item has a unique number for the purpose of monitoring spending patterns on types or classes of goods;

4.1.9 Stock items are kept in clearly marked bins located in the store to enable ease of identification at all times;

4.1.10 To prolong the life of stock items kept in the stores, the stores must be kept in a clean, safe, tidy and systematic condition that complies with the health and safety standards as applicable;

4.1.11 Appropriate measures should be taken to minimise the risk associated with the keeping of stock items;

4.1.12 Ordering and receiving of stock must be done in accordance with standard operating procedures and instructions; and

4.1.13 To ensure that appropriate standards of internal controls and stock management are in place to ensure goods placed in the stores are secured and only used for the purpose it was purchased for.

5. Stock Counts

5.1 An annual formal stock count must be undertaken before the end of each financial year. A stock count report, indicating all discrepancies and further recommendations must be submitted to Council within two months after the end of the financial year.

5.2 In addition to paragraph 5.1, further stock counts may be conducted with the approval of the Chief Financial Officer.

6. Standard Operating Procedures and Instructions

6.1 The Manager: Supply Chain Manage~~m~~ent and the section head for Logistics and Disposals is hereby authorised to direct further instructions and standard operating procedures on the implementation of this policy to all relevant officials.

6.2 Any non-compliance to this policy or any standard operating procedure or any instruction given in terms of this policy shall result in preliminary investigations and if needed the institution of disciplinary procedures in terms of the Collective Agreement on the Disciplinary Procedures Code.

7. Valuation of Stock Items

7.1 In terms of GRAP 12 stock items are valued at the lower of cost by using the first-in-first-out (FIFO) cost basis or net realisable value (NRV) and are recorded exclusive of VAT.

8. Damaged and Obsolete Stock Items

8.1 Stock items that are periodically identified as being damaged must be reported on by the Administrator: Stores section head for Logistics and Disposals as to affect the necessary financial system adjustments, subject to the necessary approvals.

8.2 On an annual basis damaged and obsolete stock items will be identified as part of a stock count process. Such items will be reported on to Council together with appropriate recommendations.

9. Issuing and Storage of Stock Items

9.1 Stock items will be taken up in the Stock System and issued from the Stock System as per the approved Standard Operating Procedures for stock management.

9.2 Stock items will not be issued in advance to any department at any stage, except in emergency circumstances after normal working hours that include the existence of one or more of the following situations –

9.2.1 The possibility of human injury or death;

9.2.2 The prevalence of human suffering or deprivation of rights;

9.2.3 The possibility of damage to property, or suffering and death of livestock and animals;

9.2.4 The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;

9.2.5 The possibility of serious damage occurring to the natural environment;

9.2.6 The possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and / or

9.2.7 The possibility that the security of the state could be compromised.

9.3 Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in paragraph 9.2 above.

9.4 Stock items that are issued by the Municipal Stores will not be kept at the Municipal Stores premises on behalf of other departments for their future use.

9.5 Only stock items that are ordered by the Municipal Stores will be kept at the Municipal Stores premises. Items ordered by any other department, will not be kept at the Municipal Stores premises.

9.6 Stock items may be issued to other municipalities provided that the relevant Senior Manager and the Chief Financial Officer approves such a request in writing.

9.7 Stock items may be obtained from other municipalities or from government entities (Eskom, etcetera) in cases where the Municipal Stores do not have the necessary stock to ensure that services can be rendered by departments provided that the relevant Senior Manager and the Chief Financial Officer approves such a request in writing.

10. SHORT TITLE

10.1 This policy is called the Mogalakwena Local Municipality Stock Management Policy.

ANNEXURE G

Credit Control and Debt Collection Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1 DEFINITIONS

1.1 For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise:

1.1.1 ***"Act"*** The Local Government Act: Systems Act, No 32 of 2000 as amended from time to time.

1.1.2 ***"Acknowledgement of debt"*** means an admission of liability and written undertaking by a debtor to repay an amount owing to the Municipality, and includes a consent to judgement and for the purposes of this policy it also means a Credit Authority.

1.1.3 ***"Authorised representative"*** means a person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.

1.1.4 ***"Chief Financial Officer"*** means the person appointed by Council to administer its finances.

1.1.5 **"Client"** means a customer or occupier of a property who is receiving a municipal account or owner of the property.

1.1.6 ***"Council"*** means the Municipal Council of Mogalakwena Local Municipality.

1.1.7 ***"Customer"*** means any occupier of any property to which the municipality has agreed to supply services or already supplies services to, including an occupier who only pays for water and electricity or failing such an occupier, then the owner of the property.

1.1.8 ***"Defaulter"*** means a person who owes money to the municipality after the due date has expired.

1.1.9 ***"Director"*** means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the Municipal Manager.

1.1.10 ***"Disconnection of electricity supply"*** means the physical disconnection of conventional or pre-paid electricity supply or the 100% blocking of pre-paid electricity supply.

1.1.11 ***"Disconnection of water supply"*** means the restriction of the water supply via a trickle system.

1.1.12 ***"Engineer"*** means the person in charge of the civil and / or electrical component of the municipality.

1.1.13 ***"Equipment"*** means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.

1.1.14 ***"Interest"*** **means** a charge levied with the same legal priority as service fees and calculated at a rate determined by Council from time to time on arrear monies, based on a full month, where part of a month must be deemed as a full month.

1.1.15 ***"Late Payment"*** means the amount due to be paid to the municipality does not reflect on municipal bank account on the applicable due date.

1.1.16 **"*Household"*** means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.

1.1.17 ***"Household income"*** means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by all persons residing on the property.

1.1.18 ***"Municipality"*** means the institution that is responsible for the collection of funds and the provision of services to the customers of Mogalakwena Local.

1.1.19 ***"Municipal account"*** means an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and / or assessment rates levies.

1.1.20 ***"Municipal Manager"*** means the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, No 117 of 1998, and include any person acting in that position or to whom authority was delegated.

1.1.21 ***"Municipal services"*** means those services provided by the Municipality, such as, *inter alia* the supply of water and electricity, refuse removal, sanitation treatment, and for which services charges are levied.

1.1.22 ***"Occupier"*** means any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.

1.1.23 **"Owner"** means:

(a) The person in whose name the property is legally vested;

(b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

(c) In the case where Council is unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;

(d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;

(e) Regarding:

(i) A portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, No 95 of 1986, without limiting it to the developer or managing body to the communal property;

(ii) A portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a "sectional title", including the legally appointed representative of such person;

(f) Any legal entity including but not limited to:

(i) A company registered in terms of the Companies Act, No 61 of 1973; a trust *inter vivos*; a trust *mortis causa*; a closed corporation registered in terms of the Close Corporation Act, No 69 of 1984; and, any voluntary organisation;

(ii) Any provincial or national government department, and a local authority;

(iii) Any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and

(iv) Any embassy or other foreign entity.

1.1.24 ***"Property"*** any portion of land, of which the boundaries are determined, within the jurisdiction of the Municipality, including in the case of sectional title schemes, a sectional title unit as defined in the Sectional title Act, No 95 of 1986.

1.1.25 **"*Tenant"*** a person who occupies land or property rented from a landlord

1.1.26 ***"70/30 pre-payment debt recovery"*** means a pre-payment system whereby 70% of payment is allocated to arrears and 30% is allocated to the purchase of electricity., and

1.1.27 ***"90/10 pre-payment debt recovery"*** means a pre-payment system whereby 90% of payment is allocated to arrears and 10% is allocated to the purchase of electricity.

2 GENERAL OBJECTIVES

2.1 The objectives of this policy are:

(a) To provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;
(b) To ensure that all monies due and payable to the Municipality are collected and used to deliver services in the best interest of the community; residents and consumers; and, in a financially sustainable manner;
(c) To provide a framework for customer care;
(d) To describe credit control measures and sequence of events;
(e) To outline debt collection procedures and mechanisms;
(f) To determine indigent relief measures; and
(g) To set realistic targets for debt collection.

3 PRINCIPLES

3.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.

3.2 customers must complete an official application form, formally requesting the Municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the

Municipal Manager.

3.3 A copy of the application form, conditions of services and extracts of the relevant council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy and by-laws must be handed to every customer on request at such fees as may be determined by Council from time to time.

3.4 Billing is to be accurate, timeously and understandable.

3.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

3.6 The customer is entitled to an efficient, effective and reasonable response to appeals**.**

3.7 Enforcement of payment must be prompt, consistent and effective.

3.8 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.

3.9 Incentives and disincentives determined by Council from time to time may be used in collection procedures.

3.10 The collection process must be cost-effective.

3.11 Results will be regularly and efficiently reported by the Mayor and Mayoral Committee to Council.

3.12 Application forms will be used to, *inter alia*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.

3.13 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

3.14 The principle of paying for services instead of payment for arrear accounts is supported.

3.15 Consumers that meet Council's indigent criteria must be identified and supported.

4 DUTIES AND FUNCTIONS

4.1 Duties and functions of Council

4.1.1 To approve a budget consistent with the needs of communities, ratepayers and residents.

4.1.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.

4.1.3 To facilitate sufficient funds to give access to basic services for the poor.

4.1.4 To provide for bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the Municipality.

4.1.5 To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority. Section 100 of the Act defines the Implementing Authority as the Municipal Manager or service provider appointed by the Municipality collect outstanding debt.

4.1.6 To approve a reporting framework for customer care, credit control and debt collection.

4.1.7 To consider and approve by-laws to give effect to this policy.

4.1.8 To monitor the performance of the Municipal Manager via the Mayor and Mayoral Committee (Supervising Authority) regarding customer care, credit control, debt collection and indigent support.

4.1.9 To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.

4.1.10 To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.

4.1.11 To take disciplinary and / or legal action against councillors, officials and agents who do not execute Council policies and by-laws or act improperly in terms of such policies.

4.1.12 To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.

4.1.13 To delegate the required authority to monitor and execute the customer care, credit control, debt collection and indigent support policy to the Mayor and Mayoral Committee, Municipal Manager and Service Provider (if required) respectively.

4.1.14 To provide sufficient capacity in the Municipality's Department: Financial Services to execute customer care, credit control, debt collection and indigent support actions. Alternatively, if required as such, to appoint a Service Provider or debt collection agent to perform these actions.

4.1.15 To assist the Municipal Manager in the execution of his duties, if and when required.

4.1.16 To provide funds for the training of staff.

4.2 Duties and functions of Mayor and Mayoral Committee

4.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.

4.2.2 To monitor the performance of the Municipal Manager in implementing this policy and by- laws.

4.2.3 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control, debt collection and indigent support procedures, mechanisms and processes.

4.2.4 To report to Council.

4.3 Duties and functions of the Municipal Manager

4.3.1 To implement good customer care management systems.

4.3.2 To implement council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy.

4.3.3 To install and maintain an appropriate accounting system.

4.3.4 To provide credible billing to customers.

4.3.5 To demand payment on due dates.

4.3.6 To raise penalties / interest for defaults.

4.3.7 To appropriate payments received.

4.3.8 To collect outstanding debt through a debt collection management system.

4.3.9 To provide different payment methods.

4.3.10 To determine customer care, credit control, debt collection and indigent support measures.

4.3.11 To determine all relevant work procedures for, *inter alia*, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.

4.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).

4.3.13 To set performance targets for staff.

4.3.14 To appoint staff to execute Council's policy and by-laws in accordance with Council's recruitment policy.

4.3.15 To delegate certain functions to Senior Managers in charge of departments.

4.3.16 To determine control procedures.

4.3.17 To monitor contracts with Service Providers in connection with credit control and debt collection.

4.3.18 To report to the Mayor and Mayoral Committee.

4.3.19 To adhere to the Code of Conduct for Officials.

4.3.20 To confirm any payment of judgment amounts (or a delegated official) for matters instituted by the court of law.

4.4 Duties and functions of communities, ratepayers and residents

4.4.1 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

4.4.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the Municipality on or before due date.

4.4.3 To observe the mechanisms and processes of the Municipality in exercising their rights.

4.4.4 To allow municipal officials reasonable access to their property to execute municipal functions.

4.4.5 To comply with the by-laws and other legislation of the Municipality.

4.4.6 To refrain from tampering with municipal services and property.

4.5 Duties and functions of councillors

4.5.1 To hold regular ward meetings (Ward Councillors).

4.5.2 To adhere to and convey council policies to residents and ratepayers.

4.5.3 To adhere to the Code of Conduct for Councillors.

5 PERFORMANCE EVALUATION (Annexure "A")

5.1 The Municipality must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate and take corrective actions on a regular basis to enhance credit control and debt collection.

5.2 Revenue collection targets

5.2.1 Council to create targets that include the reduction in present monthly increase in debt in line with performance agreements determined by Council.

5.3 Customer service targets

5.3.1 Council to create targets that would include:

(a) Response time to customer queries;
(b) Date of first account delivery to new customers;
(c) Reconnection time lapse; and
(d) Meter reading cycle.

5.3.2 Above-mentioned to be reflected in Standard Operating Procedures of Council.

5.4 Administrative performance

5.4.1 Council to create targets that will include:

(a) Cost efficiency of debt collection;

(b) Query and appeal periods; and

(c) Enforcement mechanism ratios.

6 REPORTING

6.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayor and Mayoral Committee as Supervisory Authority in terms of section 99 of the Systems Act, read with section

100(c). This report shall contain particulars on:

6.2 Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions; and

6.3 Performance of all areas against targets agreed to in paragraph 5 of this policy document.

6.4 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt revenue equivalent of the revenue projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he / she agrees with the Chief Financial Officer, within legislative prescripts,

immediately move for a revision of the budget according to realistically realisable income levels.

6.5 The Mayor and Mayoral Committee as Supervisory Authority shall, at least at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

7 CUSTOMER CARE

7.1 Objective

7.1.1 To focus on the client's, need in a responsible and pro-active way, to enhance the payment for services and to create a positive and co-operative relationship between the persons responsible for the payment for services received and the Municipality, and where applicable, any service provider.

7.2 Communication

7.2.1 The Municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include targets for credit control.

7.2.2 Council's Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in English and will be made available by general publication and on specific request, and will also be available for perusal at Council's offices.

7.2.3 Council will endeavour to distribute a regular newsletter, which will give prominence

to customer care and debt issues, in a cost-effective manner.

7.2.4 Ward councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.

7.2.5 The press will be encouraged to give prominence to Council's Credit Control and Debt Collection Policy, and will be invited to Council or Committee meetings where these are discussed.

7.2.6 Council will endeavour to create partnerships with civil society organisations in promoting customer care, credit control, debt collection and indigent support issues.

7.3 Metering

7.3.1 The Municipality will endeavour, within practical and financial limits, to provide meters to every paying client for all consuming services.

7.3.2 All meters will be read monthly, if at all possible. If meters are not read on a monthly basis, Council will estimate the consumption in terms of Council's operational procedures.

7.3.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

7.3.4 Customers may be informed of a meter replacement.

7.3.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Municipality or its authorised agent, and the customer is charged for estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

7.4 Accounts and billing

7.4.1 Customers on the billing system will receive an understandable and accurate bill from the Municipality, which bill will consolidate all service costs for that property.

7.4.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.

7.4.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Municipality or its authorised agent.

7.4.4 It is the customer's responsibility to ensure that postal address and other contact details are correct.

7.4.5 It is the customer's responsibility to ensure timeous payment in the event of accounts not received.

7.4.6 Settlement or due dates will be as indicated on the statement.

7.4.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

7.4.8 Where any payment made to the Municipality or its authorised representative by negotiable instrument is later dishonoured by a bank, the municipality or its authorised agent:

(a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer; and

(b) Shall regard such an event as a default on payment.

7.4.9 The Municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost determined by Council from time to time.

7.4.10 Adjustments made to a customer's account in favour of the customer, will be made for a maximum of three years preceding the date on which the error was detected.

7.4.11 Adjustments made to a customer's account, in favour of the municipality, will be made for the three years preceding the date on which the error was detected.

7.4.12 The owner will stay responsible for the payment of the outstanding accounts for electricity and water supply notwithstanding any agreement with an occupier or tenant of a property.

7.5 Payment facilities and methods

7.5.1 The Municipality will operate and maintain suitable payment facilities (internet payment facilities included), and which facilities will be accessible to all users.

7.5.2 The Municipality will at its discretion allocate a payment between service debts and a debtor, who has overdue debt, may not specify that the payment is for a specific portion of the account.

7.5.3 The Municipality may in terms of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.

7.5.4 The customer will acknowledge, in the customer's agreement that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

7.6 Incentives for prompt payment and final settlements

7.6.1 Council may, to encourage prompt payment and / or to reward regular payers, consider from time-to-time incentives for the prompt payment of accounts or payment by debit or stop order.

7.6.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

7.6.3 The Chief Financial Officer may accept full and final settlement offers arising from a dispute, where the last 12 months surcharges and interest may be waived after full payment of the capital amount has been made upon resolving the dispute.

7.6.4 The Chief Financial Officer may reverse interest and surcharges levied for a late payment, where a consumer was promptly paying an account for the last 12 months prior to the late payment.

7.7 Enquiries, appeals and service complaints

7.7.1 Within its administration and financial ability, the Municipality will establish:

(a) A central complaints / feedback office;
(b) A centralised complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
(c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
(d) A communication mechanism to give council feedback on service, debt and other issues of concern.

7.7.2 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the Municipality for investigation of this account, and where necessary the relevant alterations.

7.7.3 In the interim the debtor must pay the average of the last three months accounts where such history of the account is available. Where no such history is available, the debtor is to pay an estimate provided by the Municipality before payment due date until the matter is resolved.

7.7.4 The relevant department will investigate and inform the debtor within 60 days or as determined by the Municipal Manager from time to time.

7.7.5 Failure to make the payment(s) mentioned in paragraph 7.7.3 above, will result in the Municipality collecting the balance outstanding on the customers' account using the normal credit control procedures as detailed in paragraph 8 here-under.

7.7.6 A customer or its authorised agent may appeal against the findings of the Municipality in terms of paragraph 7.7.2.

7.7.7 An appeal and request in terms of paragraph 7.7.6 must be made and lodged with the municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in paragraph 7.7.4 and must:

(a) Set out the reasons for the appeal; and
(b) Be accompanied by any fee determined for the testing of a measuring device, if applicable.

7.8 Customer assistance programmes

7.8.1 Water Leakages

(a) If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.

(b) Where the consumer can provide an invoice and proof of payment from the service provider (e.g. Plumber) that repaired the leakage, the municipality may at its sole discretion provide relief based on a calculation to be done on the corresponding months of the previous' years consumption to determine the water lost due to the leak.

(c) A consumer to provide a sworn affidavit with proof of purchase of material used to repair a leakage. A consumer (indigents included) whom has repaired the leak themselves must provide Council with a sworn affidavit that the consumer fixed the leak themselves.

(d) The calculated consumption will be deducted from the higher leakage amount, where after the balance will be payable by the consumer.

(e) Should the leakage be for more than a year or two years, then the consumption will be monitored for 3 months after the leakage has been repaired, where after the account will be rectified as per above sub-paragraph (d).

(f) Where there is an abnormal water consumption that cannot be substantiated after the meter test results are obtained, the Executive Manager: Infrastructure or his delegated official must furnish the Chief Financial Officer with a recommendation in terms of reducing the consumption in line with the consumer's average consumption for the previous 12 months.

(g) The customer has the responsibility to control and monitor his / her water consumption, including where control devices are in use flow.

(h) The customer will only be entitled to one water leakage credit correction per a financial year (July- June).

7.8.2 Property rate rebates

(a) Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council.

(b) A rate rebate may be granted according to certain qualifying criteria to social pensioners or the receiver of a state disability grant and / or any category of customer, as determined by Council from time to time.

(c) These rebates will be determined as per Council's Property Rates Policy.

7.8.3 Arrangements for default settlements (Annexure "B")

(a) Customers (including municipal employees and councillors) with electricity and water arrears shall be converted to pre-paid meters. When such meters are installed, the cost thereof will be for the account of the consumer (refer to 8.9.5)**.**

(b) In the case of households qualifying for indigent support, the conversion costs to a prepayment meter will be funded through that portion of the equitable share contribution to the Municipality made from the national government's fiscus and as provided for in the budget.

(c) Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

7.8.4 Rates by instalments

(a) Payment arrangements are determined as per Council's Property Rates Policy.

7.8.5 Customer categories

(a) Customers will be categorised according to specific classifications based on inter alia the type of entity and applicable tariffs and risk levels. Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

8 CREDIT CONTROL

8.1 Objective

8.1.1 To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.

8.1.2 To facilitate financial assistance and basic services for the community's poor and provide incentives for prompt payment as well as ensuring limited risk levels by means of effective management tools.

8.2 Service application and agreements

8.2.1 All customers of services will be required to sign an agreement governing the supply and cost of municipal services.

8.2.2 Prior to signing these agreements, customers will be entitled to receive the policy document of the Council on request at a cost determined by Council.

8.2.3 On the signing of the agreement, customers will receive a copy of the agreement for their records.

8.2.4 Customers are responsible for costs of collection on a scale as determined between attorney and client, and interest in the event of delayed and / or non-payment. The interest will be charged at the prevailing prime interest rate.

8.2.5 Existing customers of services will be required to sign new agreements as determined by the Municipal Manager from time to time. This will particularly be in the case of defaulters.

8.3 Right of access to premises

8.3.1 The owner and or occupier of property is to allow an authorised representative of the Municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.

8.3.2 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

8.3.3 If a person fails to comply with the Municipality or its authorised representative, the Municipality may:

(a) By written notice require such person to restore access at his / her own expense within a specified period;

(b) If it is the opinion that the situation is a matter of urgency, without prior notice access the premises of such person in order to disconnect or repair any such meter or service connection provided that damage to the property of such person is minimised, minimum force is used and after the Municipality has gained such access that the premises of such person is secured; and

(c) The cost of gaining such access shall be for the account of the owner of the premises if the reason for the urgency is that of the owner or occupier of the premises.

8.4 Enforcement mechanisms

8.4.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation. The levying of interest does not prevent credit control action to occur.

8.4.2 The above interest will not be raised on government accounts with arrears to avoid fruitless and wasteful expenditure in terms of the PFMA.

8.4.3 The municipality however reserves the right to disconnect and or restrict the water and electricity meters of government departments in the event of non-payment or late payment of their respective active.

8.4.4 Provided that the Municipality has served written notice on both the owners and occupiers (if applicable) of the property of at least seven (7) days, the Municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any consumer, owner or property.

8.5 Theft and fraud

8.5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft of and damage to Council property, may be prosecuted and / or is liable for penalties as determined by Council from time to time.

8.5.2 Any member of the local community that supply information with regard to any of the illegal actions as set out in paragraph 8.5.1, and the information when verified found to be true, will upon authorisation by the Municipal Manager be rewarded as determined by Council from time to time. The name of the informant and the information supplied will at all times be kept confidentially so as to protect the informant against any retaliatory action.

8.5.3 Upon reasonable notice to both the owner as well as the occupier of the premises,

Council will immediately terminate the supply of services to a customer should such conduct as outlined above, be detected.

8.5.4 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council, if applicable, will be due and payable before any reconnection can be sanctioned.

8.5.5 Council will maintain monitoring systems in order to identify customers who are undertaking such illegal actions.

8.5.6 No person may in any manner tamper or interfere with any meter or metering equipment or service connection or service protective device or supply mains or any other equipment of the municipality.

8.5.7 Where prima facie evidence exists of a consumer and/or any person having contravened paragraph 8.5.6, the municipality shall have the right to disconnect the supply of electricity upon reasonable notice to both the owner as well as the occupier of the premises. The person shall be liable for all fees and charges levied by the municipality for such disconnection and subsequent reconnection.

8.5.8 Where a consumer and / or any person has contravened section 18(d) of the Customer Care, Credit Control, Debt Collection and Indigent Support By-Law and such contravention has resulted in the meter recording less than the true consumption, the municipality shall have the right to recover from the consumer the cost of the estimated consumption, that was lost for three preceding years, based on the prevailing tariff in the year that the unauthorized consumption was identified.

8.5.9 Where a consumer's meter does not switch off when all the units are consumed, then the municipality shall have the right to recover from the consumer the estimated consumption that was lost for three preceding years, based on the prevailing tariff in the year the unauthorized consumption was identified.

8.5.10 Council reserves the right to lay criminal charges and / or to take any other legal action against both vandals and thieves, including the recovery of costs of repairing / replacing of damaged devices.

8.5.11 Any person failing to provide information or providing false information to the municipality may face immediate disconnection and / or legal action.

8.6 Customer profiling, screening and securities

8.6.1 All applicants for municipal services may be checked for credit-worthiness including checking information from banks, credit bureaus, other local authorities, trade creditors and employers.

8.6.2 Deposits either in cash or any other security acceptable to the Municipality will be required, and may vary according to the risk as determined by the Municipality. A minimum deposit of the equivalent of two months average consumption will be required.

8.6.3 Deposits can be increased by the municipality at any time and at the sole discretion of the Municipality to a maximum of three months average consumption.

8.6.4 Deposits can vary according to the credit-worthiness or legal category of the applicant.

8.6.5 The Municipality will not pay any interest on deposits.

8.6.6 On the termination of the agreement the amount of the deposit, less any outstanding amount due to the Municipality, will be refunded to the consumer.

8.7 Persons and business who tender to the Municipality

8.7.1 The Supply Chain Management Policy and Tender Conditions of the Municipalities will include the following:

(a) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Municipality a certificate stating that all relevant municipal accounts owing by the tenderer and / or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears;

(b) No tender will be allocated to a person / contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period; and

(c) A condition allowing the Municipality to deduct any moneys owing to the Municipality from contract payments.

8.8 Cost of collection

8.8.1 All costs of legal processes, including interest, penalties, service discontinuation costs and legal costs on attorney and client scale associated with customer care or credit control, wherever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

8.9 The pre-payment meter system

8.9.1 The Municipality will use its pre-payment system to collect all the arrears on the customers municipal account which may include the following services, water, refuse removal, sanitation, property rates and basic charges etc.

8.9.2 The arrear debt as described in paragraph 8.9.1 above will be collected from the customer's account as follows:

(a) 30 – 60 days older debt = 70/30 pre-payment debt recovery; and

(b) 90 days and older debt = 90/10 pre-payment debt recovery

8.9.3 In cases where the 90% blocking methodology is not adequate to decrease the outstanding debt, the pre-paid metering system shall on reasonable notice to both the owner and the occupier be blocked at 100% or the electricity supply shall be disconnected.

8.9.4 When the owner, tenant or occupier is using the property in his business to earn an income, a basic electricity charge will be levied daily. The owner will be responsible for the daily electricity basic charge, even after a tenant or occupier has vacated the

property.

8.9.5 Customers who frequently defaults on arrangement (more than 2 times) must convert to a pre-paid meter at the Municipalities costs. Preference should be given to those conventional electricity customers who requires pole disconnection for arrears if the operating budget allows such expenditure.

9 DEBT COLLECTION

9.1 Objective

9.1.1 To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

9.2 Personal contact

9.2.1 Telephonic contact, agents calling on clients:

(a) Council will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigent support, other related matters and will provide information on how and where to access such arrangements or subsidies; and

(b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue, in the absence of such contact for whatever reason, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises.

9.3 Interruption of service

9.3.1 Customers who are in arrears with their municipal account and who have not made arrangements with the Council will have their water and/ or electricity be restricted or supply disconnected of electricity disconnected, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises.

9.3.2 The disconnection of electricity services may happen when the municipal account is one (1) day overdue, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises, where there are separate accounts registered on the system.

9.3.3 A fourteen (7) day disconnection notice will be issued for the first default. If a consumer defaults again in the following six (6) months or defaults on an arrangement, then a seven (7) day disconnection notice will apply.

9.3.4 Provided that Council has demanded payment of arrear rates and other municipal charges, Council reserves the right to deny or restrict the sale of electricity to customers who are in arrears with their rates or other municipal charges.

9.3.5 Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term

payment, the electricity service will be reconnected and / pre-paid electricity sold as soon as conveniently possible.

9.3.6 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.

9.3.7 The deposit of any defaulter may be adjusted to bring into line with relevant policies.

9.4 Legal process / Use of attorneys / Use of credit bureaus

9.4.1 Council may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and / or sales in execution of property.

9.4.2 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.

9.4.3 Council will establish procedures and codes of conduct with these outside parties.

9.4.4 Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

9.4.5 All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.

9.4.6 All recoverable costs of this process will be for the account of the debtor.

9.4.7 Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus. This release will be in writing or by electronic means.

9.4.8 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.

9.4.9 Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council.

9.4.10 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

9.4.11 Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

9.5 Rates clearance

9.5.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges owed by the owner seeking transfer are paid by withholding a rates clearance certificate as contemplated in section 118 of the Act.

9.5.2 The amount for the period prior to section 118 of the Municipal Systems Act, will be handed over for legal collection where the previous owner could be held liable for payment of these amounts.

9.5.3 All services and or basic charges will be levied on the sellers account if the transfer takes place before or on the 15th of a month. This will however exclude consumable service like conventional water and electricity.

9.6 Abandonment of claims

9.6.1 The Municipal Manager must ensure that all avenues are utilised to collect the municipality's
debt.

9.6.2 There are some circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Act, such as:

(a) The insolvency of the debtor, whose estate has insufficient funds;
(b) A balance being too small to recover, for economic reasons, considering the cost of recovery; and
(c) Where Council deems that a customer or groups of customers are unable to pay for services rendered.

9.6.3 The Municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

9.6.4 Procedures for the abandonment of claims are determined in the Writing-Off of Irrecoverable Debt Policy.

10 MUNICIPAL EMPLOYEES AND COUNCILLOR DEBT

10.1 Staff arrears will be dealt with in accordance with Schedule 2 of the Systems Act, and in terms of any procedures, method or actions referred to in this Policy. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such staff members' salary after this three (3) month period.

10.2 In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount

from such Councillor's remuneration after this three (3) month period.

ANNEXURE A: REVENUE COLLECTION TARGETS

1 Computerised credit control and debt collection management system

1.1 It is Council's intention to collect all revenue due to Council from customers who can afford to pay.

1.2 For this purpose, it is acknowledged that the Municipality is in need of a computerised credit control and debt collection management system.

1.3 This system will be procured through the supply chain management process or alternatively the Municipal Manager may obtain the services of an external service provider to perform this function.

2 Recovery of arrears

2.1 It is acknowledged that not all customers might have been in arrears before the January 2018 billing run. Customers who accumulated arrears as from the January 2018 billing run will be recovered over a maximum period of one year.

3 Customer service targets

(a)	Response time to customer queries:	Initial response within 5 working days
(b)	Date of first account delivery to new customers:	By second billing cycle after date of application or occupation whichever is the latest
(c)	Reconnection time:	Within 24 hours after appropriate payment / Arrangement
(d)	Electricity meter reading cycle:	90% of meters being read on a monthly basis with a maximum of 3 consecutive months Estimated
(e)	Water meter reading cycle:	80% of meters being read on a monthly basis with a maximum of 3 consecutive months Estimated

4 Administrative performance targets

<u>Cost Efficiency of Debt Collection</u>:

6.1.1 Cost efficiency of debt collection:

(a) Cost of collection not to exceed the capital debt amount;

(b) All reasonable steps to be taken to limit cost to Council or the customer;

(c) Cost of collection is to be recovered from the defaulting customers; and

(d) Total cost of collection to be recovered by means of applicable credit control tariffs.

6.2 Query and appeal periods:

6.2.1 Sixty (60) working days to resolve queries and appeals through Council committees, the Mayor and Mayoral Committee and Council.

5 ANNEXURE B: ARRANGEMENTS

1. ARRANGEMENTS

1.1 If a customer cannot pay his / her account with the Municipality then the Municipality may enter into an extended term of payment not exceeding 36 months. The customer must:

1.1.1 Sign an acknowledgement of debt;

1.1.2 Sign consent to judgement;

1.1.3 Provide a garnishee order / emolument order / stop order (if he or she is in employment);

1.1.4 Acknowledge that interest will be charged at the prescribed rate;

1.1.5 Pay the current portion of the account in cash;

1.1.6 Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings; and

1.1.7 Acknowledge liability of all costs incurred.

1.2 Consumer to agree to signing an electronic Acknowledgement of Debt form, which stipulates all of the above and acknowledges the arrangements made.

2. THE FOLLOWING ACCEPTABLE ARRANGEMENTS CAN BE ENTERED INTO WITH:

2.1 The Municipality accepts the practice of entering into agreements for the payment of arrear debt by instalments. These instalment agreements may be instituted at any time to assist debtors to settle outstanding accounts. To safeguard the interests of the Municipality and to ensure that the practice is not abused, the entering into agreements is subject to certain conditions:

2.1.1 An *"Acknowledgement of Debt"* as approved by the executive committee of the Mogalakwena Municipality shall be completed for each account. The debtor must receive a copy and a further copy must be filed in the specific debtor's file;

- Domestic Consumers:

(a) The initial payment for entering into the instalment agreement be 10% of the outstanding

account;

(b) The period in which arrear amounts be paid in instalments must not exceed 12 months if the outstanding balance is below R20 000,00;

(c) The period in which arrear amounts be paid in instalments must not exceed 48 months if the outstanding balance is above R20 000,00;

(d) Over and above these payments, the current account must be paid on time and in full;

- All other debtors:

(e) The initial payment for entering into the instalment agreement be 25% of the arrear amount;

(f) If a debt includes amounts that have been outstanding for a period of twelve months or more, the outstanding amount must be paid in equal instalments over a period not exceeding 12 months. Over and above these payments, the current account must be paid on time and in full; and

- If a debt includes amounts that have been outstanding for less than 12 months, the outstanding amount must be paid in equal instalments over a period not exceeding 6 months. Over and above these payments, the current account must be paid on time and in full.

- In exceptional cases the Municipal Manager may authorize the deviation from the above-mentioned terms for the repayment of arrear debts, provided there are valid reasons for such deviation.

- Only owners of the property shall be allowed to enter into an agreement;

- No owner shall be allowed to enter a second agreement until the first agreement has been settled in full;

- In the event that an owner does not comply with the conditions of the agreement, he/she will no longer be eligible for any further postponement of payments. The Municipality shall also not be responsible for notifying the owner of his/her default; further measures to collect the debt will be instituted against the owner immediately.

- If a debtor pays the full outstanding arrear amount interest can be written off or if an arrangement been done interest can be put on abbayens till the arrangement is honoured in full then it can be written off if arrangement is dishonoured interest been put back on account.

2.2 To collect with the assistance of a computerised credit control and debt collection management system or an appointed service provider, all recoverable arrears over a maximum period of three years by using the incentives in the Writing-Off of Irrecoverable Debt Policy. Irrecoverable arrears will have to be written-off.

2.3 The Senior Manager: Revenue and Expenditure or delegated person can in extreme cases accept a longer period of repayment based on the financial position of the customer and other circumstances if the incentives in the Writing-Off of Irrecoverable Debt Policy do not assist the customer to get out of their spiral of debt within three years.

2.4 If the consumers default in terms of the above arrangement after three consecutive

months the above options agreements fall away and whole arrear amount becomes due and payable.

2.5 The suspended accounts will bear no interest on arrears.

2.6 Churches, welfare organisations, sporting bodies, emerging farmers, etcetera

2.6.1 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis and a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 36 months.

2.6.2 The suspended account will bear no interest on arrears.

2.7 Business, industrial and agriculture customers

2.7.1 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis and a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 12 months. Businesses being affected by disaster (e.g. Loadshedding, Covid etc) can be allowed to make arrangements for a longer period but not exceeding 24 months, upon provision of sufficient proof substantiating their losses as a result of the abovementioned disaster.

2.7.2 The suspended account will bear no interest on arrears.

2.8 Government departments and schools

2.8.1 1st default in financial year:

(a) Three (3) weeks' notice – no arrangements; and
(b) Deposit may be adjusted to 3 months consumption.

2.8.2 2nd default in financial year:

(a) Two (2) weeks' notice – no arrangements; and
(b) Deposit may be adjusted to 3 months consumption.

2.8.3 3rd default in financial year:

(a) Forty-eight (48) hours' notice – no arrangements; and
(b) Deposit may be adjusted to 3 months consumption.

2.9 Administrations

2.9.1 Where a person has been placed under administration the following procedures will be followed:

(a) The debt as at the date of the administration court order will be placed on hold, transferred to an interest-bearing account to be collected in terms of the court order by the

administrator's dividend;

(b) The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter/s; and

(c) Should there be any default on the current account, the supply of services is to be limited or terminated on reasonable notice to the owner and consumer, and the administrator handed over for the collection of this debt.

2.6.1 Indigent households

2.6.1 All consumers qualifying as indigent households will receive monthly indigent support provided that a pre-paid water and/or pre-paid electricity meter may be installed on Council's cost. 50% of debt will be written-off as a once-off exercise per financial year on the application approval.

2.6.2 Council acknowledges that pre-paid water and electricity meters cannot be installed at once and that this can only be done as and when the operating budget of the Municipality has available funds to install these meters.

2.6.3 Council also acknowledges that indigent households cannot afford to replace broken conventional and pre-paid electricity and water meters with new ones. They are also not in a financial position to replace broken electricity and water connections as well as to pay for minor repairs to sewerage connections and blockages. For this purpose, Council will budget in their operating for such costs. Pre-paid electricity and water meters and minor repairs to service connections may therefore be done from Council's budgeted funds provided that the relevant Executive Manager has motivated such a request, that adequate funds on the operating budget is still available and that the Municipal Manager or Chief Financial Officer has approved such a request.

3. ANNEXURE C: MUNICIPAL SERVICES APPLICATION FORM

DETAILS NEEDED TO OPEN AN ACCOUNT AT MOGALAKWENA LOCAL MUNICIPALITY

CONSUMER/VERBRUIKER :

FULL NAMES/VOLLE NAME :

SURNAME/VAN :

ID OR PASSPORT NUMBER/NR :

METER LOCATION/ADRES :

POSTAL ADDRESS/POS ADRES :

CONTACT TEL NO/KONTAK TEL NR. :

EMAIL ADDRESS/EPOS ADRES :

FAX NUMBER/FAKS NR. :

AANSKAKELINGS DATUM/ CONNECTION DATE :

CONTACT DETAILS OF A REFERENCE PERSON AT ANOTHER ADDRESS. KONTAK BESONDERHEDE VAN 'N VERWYSINGS PERSOON BY ANDER ADRES. NAME & SURNAME/VOORNAME & VAN:

ADDRESS/ADRES :

TELEPHONE NO/TEL NR. :

IF THE PREMISES IS REGISTERED IN THE NAME OF A COMPANY PLEASE SUPPLY AS PERSEEL IN MAATSKAPPY SE NAAM GEREGISTREER IS VERSKAF ASB.

COMPANY NAME/MAATSKAPPY NAAM :

REG NO./REG NR. :

VAT REG NO/BTW REG NR. :

IN RESPECT OF A COMPANY, WE ALSO NEED A LETTER WITH ALL THE DIRECTORS' NAMES, SURNAMES AND ID NUMBERS PLEASE.

I HEREBY AGREE THAT THE PROVISION OF ELECTRICITY AND WATER SUPPLY TO ME IS SUBJECT TO THE COUNCIL ELECTRICITY AND WATER SUPPLY REGULATIONS AS AMENDED FROM TIME TO TIME.
EK KOM HIERMEE OOREEN DAR DIE VOORSIENING VAN ELEKTRISITEIT EN OF WATERTOEVOER AAN MY ONDERWORPE IS AAN DIE RAAD SE ELEKTRISITEIT EN WATERVOORSIENINGSREGULASIE SOOS VAN TYD TOT TYD GEWYSIG MAG WORD.

HANTEKENING/SIGNATURE

ANNEXURE H

Indigent Support Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1 DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise:

1.1 ***"Accountholder"*** means the registered holder of an account held with Mogalakwena Local municipality for property rates and services rendered by the municipality or on behalf of the municipality.

1.2 ***"Act"*** The Local Government Act: Systems Act, No. 32 of 2000 as amended from time to time.

1.3 ***"Authorized representative"*** means a person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.

1.4 ***"Chief Financial Officer"*** means the person appointed by Council to administer its finances.

1.5 ***"Municipal Manager"*** means the person appointed by Council in terms of Section 57 of the Municipal Systems Act

1.6 ***"Child headed households"*** means a household where the main caregiver of said household is not older than 18 years of age and is still a child as defined in section 28(3) of the Constitution.

1.7 **"Client"** means a customer or occupier of a property who is receiving a municipal account or owner of the property.

1.8 ***"Council"*** means the Municipal Council of Mogalakwena Local Municipality.

1.9 ***"Director"*** means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the Municipal Manager.

1.10 ***"Director of Company"*** means a legal person or entity registered in terms of the Companies Act, No.61 of 1973

1.11 ***"Interest"*** means a charge levied with the same legal priority as service fees and calculated at a rate determined by Council from time to time on arrear monies, based on a full month, where part of a month must be deemed as a full month.

1.12 **"*Household"*** means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.

1.13 ***"Household income"*** means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grant or investment income and other forms of earnings received by all persons residing on the property.

1.14 ***"Indigent Household"*** means any household that is at or below the poverty threshold as determined by Mogalakwena Local municipality.

1.15 ***"Municipality"*** means the institution that is responsible for the collection of funds and the provision of services to the customers of Mogalakwena Local.

1.16 ***"Municipal account"*** means an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and / or assessment rates levies.

1.17 ***"Municipal services"*** means those services provided by the Municipality, such as, *inter alia* the supply of water and electricity, refuse removal, sanitation treatment, and for which services charges are levied.

1.18 ***"Occupier"*** means any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.

1.19 ***"Owner"*** means:

(a) The person in whose name the property is legally vested;

(b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

(c) In the case where Council is unable to establish the identity of such person, the person(s) who are entitled to derive benefit from the property or any buildings thereon;

(d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;

(e) A person(s) who has lifelong use of an immovable property (Usufruct).

(f) Regarding:

(i) A portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, No. 95 of 1986, without limiting it to the developer or managing body to the communal property;

(ii) A portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a "sectional title", including the legally appointed representative of such person;

(f) Any legal entity including but not limited to:

(i) A company registered in terms of the Companies Act, No. 61 of 1973; a trust *inter vivos*; a trust *mortis causa*; a closed corporation registered in terms of the Close Corporation Act, No 69 of 1984; and, any voluntary organisation;

(ii) Any provincial or national government department, and a local authority;

(iii) Any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and

(iv) Any embassy or other foreign entity.

1.20 ***"Property"*** any portion of land, of which the boundaries are determined, within the jurisdiction of the Municipality, including in the case of sectional title schemes, a sectional title unit as defined in the Sectional title Act, No 95 of 1986.

1.21 **"*Tenant"*** a person(s) who occupies land or property rented from a landlord

1.22 ***"Usufruct"*** means a legal right accorded to a person(s), that confers the temporary right to use and derive income or benefit from someone else' property.

2 PREAMBLE

2.1 Mogalakwena Local Municipality has a constitutional mandate to ensure the provision of basic services to poorer communities.

2.2 The municipality shall provide basic municipal services to poor households in an affordable and sustainable manner.

3 POLICY OBJECTIVES

The objectives of this policy are:

3.1 To develop a framework within which the municipality can execute its legislative authority to identify consumers who qualify for subsidised basic municipal services;

3.2 To enable the sustainable provision of subsidised municipal basic services to qualifying consumers within the financial and administrative resources of the municipality; and

3.3 To provide a financial assistance subsidy, in line with national government regulations and guidelines to assist indigent households in the Mogalakwena Local municipal area. The subsidy will be provided by means of a rebated basket of basic municipal services.

4 POLICY PRINCIPLES

4.1 The following guiding principles will be promoted through this policy:

(a) The adherence to the Municipal Systems Act, No.32 of 2000 and other related legislation.

(b) The provision of relief to registered residential consumers of municipal services.

(c) To ensure that the relief provided by Mogalakwena Local Municipality is constitutional, practical, fair, equitable and justifiable.

5 QUALIFICATION CRITERIA

5.1 The indigent and financial assistance subsidy is available only to domestic households that conform to the following criteria:

(a) The household meets the definition of an indigent household and household income as defined in paragraphs 1.13 and 1.14 of this policy.

(b) The household is headed by children who meet the definition stipulated under paragraph 1.6 and 1.12 of this policy.

(c) The account holders own one property, or;

(d) In the case where an accountholder owns more than one property but can prove that they derive no income from the other property registered in their name, the subsidy will only be granted to the property that is occupied by the accountholder.

(e) In the case where the second property is in another municipal jurisdiction the accountholder must provide proof that they do not receive an indigent subsidy on that property.

(f) The account holders are deceased and the occupiers of the property qualify in terms of the eligible income threshold as determined by Council on an annual basis.

(g) Tenants of municipal rental property who meet the criteria of a household and

household income as per paragraph 1.13 and 1.14 of this policy.

(h) Pensioners who have usufruct of a dwelling belonging to a non-qualifying owner (e.g. children or relative).

(i) Indigent households where qualifying accountholders do not occupy their properties for various reasons, leaving qualifying persons over the age of 18 years to reside on the property.

(j) Directors of companies where the household income calculated by the online verification system is less / equal to the subsidy income threshold determined by Council.

6 FUNDING

6.1 The source of funding of the indigent support is derived from that portion of the equitable share contribution to the Municipality from the national government's fiscus and as provided for in the budget.

7 INDIGENT CONSUMER QUALIFYING INCOME THRESHHOLDS

7.1 For the 2024/2025 financial year the total monthly household income has been determined as follows.

(a) Category A: R 0 to R4,450 per month
(b) Category B: R4,551 to R4,950 per month
(c) Category C: R4,951 to R6,200 per month
(d) Category D**:** R6,201 to R6,500 per month

7.2 Category A consumers will receive the benefit of all the subsidies listed in paragraph 8 below, whilst Category B consumers will receive a benefit of 80% of the subsidies listed in paragraph 8 (Excluding Water and Property Rates), Category C consumers will receive a benefit of 50% and Category D consumers a benefit of 20% of the subsidies listed in paragraph 8 (Excluding Water and Property Rates).

7.3 The Municipality retains the right to refuse the financial support if the details supplied in the application form were incomplete, incorrect or false.

7.4 The Municipal Manager, in consultation with the Chief Financial Officer, may in extra ordinary circumstances migrate a household from Category D, C, or B to a higher category.

7.5 In the case of the underutilization of the equitable share, the Mayor, in consultation with the Municipal Manager, may adjust the determined income thresholds in paragraph 7.1 above upwards.

7.6 The online income verification system used by the municipality calculates household income on the basis of the applicants' credit activity by means of obtaining information relating to the applicants', economic activity, combined household income, employment, directorships, validity of applicants' information, benefit Scale, property ownership of applicants and current or active bonds on applicants' name.

8 SUBSIDY CONDITIONS AND SUBSIDISED SERVICES

8.1 **Electricity**

8.1.1 Subsidy Conditions

(a) Basic electricity charges will only be subsidized for qualifying indigent consumers with a 30 Amp connection. Those with a greater than 30 Amp connection will receive no subsidy for basic charges.

8.1.2 Electricity Subsidy

(a) Indigent debtors will receive 50kwh of electricity free on a monthly basis.
(b) 50 kWh per month for Category C and D consumers.
(c) Monthly basic electricity charges only for a 30 Amp electricity connection will be subsidized.
(d) Consumers in Old Age Homes receives 50 kWh free per units per qualifying Indigent resident, credited to the Old Age Home's municipal account.

8.2 **Water**

8.2.1 Subsidy Condition

(a) Qualifying indigent consumers that exceed 20kl of water per month and are in arrears may have an automated flow restriction apparatus fitted to their water supply.

8.2.2 Water Subsidy

(a) Indigent debtors will receive 6kl of water free of charge on a monthly basis.
(b) The water rebate threshold will remain the same irrespective of the Category of the indigent consumer and will not be apportioned.
(c) Where there is more than one structure (backyarder), on the property, the indigent households will be allowed to apply for a further subsidy.
(d) Consumers in Old Age Homes receives 6 kl free water per qualifying Indigent resident, credited on the Old Age Home's municipal's account.

8.3 **Property Rates**

8.3.1 Subsidy Condition

(a) Qualifying indigent consumers shall be subsidized for property rates to a maximum property value of R100,000
(b) The property rates rebate threshold will remain the same irrespective of the Category of the indigent consumer and will not be apportioned.
(c) The property rates rebate of R100,000 shall include the normal property rates rebate provided by the municipality to all other residents of the municipality.
(d) Property rates related to the property value above R100,000 will be due and payable by the consumer.

8.3.2 Property rates Subsidy

(a) Property rates rebate to a maximum property value of R100,000 for all consumers.

8.4 **Refuse Removal**

8.4.1 Subsidy Condition

(a) Qualifying indigent consumers residing in formal registered households shall have a 240-litre refuse removal bin at their premises.

8.4.2 Refuse Subsidy

(a) Indigent debtors will receive a rebate of the amount charged on a stand of average 500m2 as described by budget on a monthly basis
(b) One refuse removal per week billed monthly.

8.5 **Sanitation**

8.5.1 Subsidy Conditions

(a) One toilet levy per month will be subsidised.
(b) Basic charges per month equivalent to an erf size 500 square meters will be subsided.

8.5.2 Sanitation Subsidy

(a) Indigent debtors will receive a rebate of the amount charged on a stand of average 500 square meter as described by budget on a monthly basis

8.6 **Other Subsidies**

8.6.1 Free Bulk Services

(a) Free bulk services shall be the provision of services (water stand pipes, high mast lighting, toilets and refuse removal (skip bins) to informal settlements.
(b) The cost of the provision of free bulk services is recovered from the Equitable Share allocation.

8.6.2 Building Plans

(a) 50% rebate of building plan fees as per the approved tariff structure of the Municipality.

8.6.3 Municipal Fire Brigade Fees

(a) 50% rebate on municipal fire brigade fees as per the approved tariff structure of the Municipality.

8.6.4 Sewerage Blockage Fees

(a) 50% rebate on municipal sewer blockage fees as per the approved tariff structure of the Municipality.

8.6.5 Water leakages and stolen water meters

(a) Council may replace stolen water meters or repair basic water leakages within reason in the property of indigent consumers.

9 INDIGENT APPLICATION PROCESS AND DOCUMENTATION

9.1 The account holder must apply in person and must present the following documents upon application:

(a) The latest municipal account in his/her possession;

(b) The account holder's identity document;

(c) An online application will be captured where, applicants will be required to undergo biometric verification (facial recognition) and fingerprint scanning where necessary for verifications or vetting.

(d) Documentary proof of income and marital status (e.g. letter from an employer, salary advice, pension card, UIF card, etc.) must be presented in order to qualify for indigent and financial assistance. This information will support the online application and will be scanned in.

(e) Employed applicants will be required to provide pay slips to substantiate the permutated income from the only verification system.

(f) In addition, applicants will be required to sign and submit a sworn affidavit to the effect that all information supplied is true and that all income from formal and/or informal sources of all the occupants on the property has been declared.

(g) Special note should be taken that any person who supplies false information will be disqualified from further participation in the indigent support scheme.
He/she will also be liable for the immediate repayment of all indigent support received, the debt written-off on the account will also be reversed and the institution of criminal proceedings, as Council may deem fit;

(h) For all other indigent applications, If the application is approved, the indigent support will only be valid for the 2024/2025 financial year for which the indigent application has been evaluated with no guarantee of renewal, as it is funded by a grant from National Government to the Municipality. The municipality will conduct an electronic vetting of this category of indigent consumer after 12 months to determine if the consumer still meets the qualifying criteria. If the consumer does not meet the criteria the financial assistance will cease automatically or adjusted accordingly;

(i) No backdated subsidies will be granted to late applicants.

(j) Council reserves the right to send officials to premises/households receiving relief for the purpose of conducting an on-site lifestyle audit of the details supplied.

9.2 Appeal Procedure

9.2.1 Indigent consumers who do not agree with their categorization in terms of paragraph 7.1 above will have the opportunity to lodge an appeal where the following process will be followed:

a) Lodge an appeal after receiving the results of the application where the required supporting documents to substantiate the appeal will be requested from the accountholder.

b) If the accountholder is not satisfied with the results of the appeal, then the appeal request will be escalated to the CFO and the Municipal Manager for their consideration in terms of paragraph 7.4 of this Policy.

c) Accountholders who do not qualify, but can prove that they are in financial distress, due to a Natural disaster can lodge an appeal and be considered for approval for a period of 3 months where after they will have the opportunity to re-apply again.

10 GENERAL INDIGENT SUBSIDY CONDITIONS

10.1 General Conditions

(a) Fifty percent of qualifying indigent consumers' debt will be written-off upon approval of the indigent subsidy.

(b) If a consumer's consumption or use of the municipal service is less than the subsidized service, the unused portion may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.

(c) If a customer's consumption or use of a municipal service is in excess of the subsidised service, the customer will be obliged to pay for such excess consumption at the applicable rates.

(d) If consumers do not pay the excess accounts as per paragraph 10.1 (b) above then then the necessary credit control and debt collection actions as per the Municipality's Credit Control and Debt Collection Policy will apply.

(e) All consumers who qualify for an indigent and financial assistance subsidy that have a conventional electricity meter will be converted pre-paid electricity meters.

(f) All consumers who qualify for an indigent and financial assistance subsidy will be placed on restricted service levels in order to limit further escalation of debt.

(g) Where applicable, these consumers may be exonerated from a portion of their arrear debt.

(h) Where a qualifying customer's account is paid in full at the date of application, or regularly maintains a paid-up account after receiving the subsidy, the restriction on service levels will be waived.

(i) An indigent customer must immediately request de-registration by the municipality or its authorised agent if his / her circumstances have changed to the extent that he / she no longer meets the criteria.

(j) An indigent customer may at any time requests de-registration.

(k) A list of indigent customers will be maintained and may be made available to the general public.

(l) No indigent application will be approved if there is a rates clearance application on the system on date of indigent application. Such applications will only be approved in cases where the rates clearance is in terms of section 45(1) of the Deeds Registries Act, No. 47 of 1937.

ANNEXURE I

Tariff Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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PREAMBLE

Whereas section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

And whereas the tariff policy at least should include the principles contained in section 74(2) of the Act; thus, giving effect to the By-Law required in terms of section 75 of the Act;

And whereas the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations do not amount up to unfair discrimination;

Now therefore the Municipal Council of Mogalakwena Local Municipality adopts the following Tariff Policy:

1. DEFINITIONS

1.1 In this Tariff Policy, unless inconsistence with the context, a word or expressions to which a meaning in the Act has been attached means:

1.1.1 ***"Accounting Officer"*** means the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, No 117 of 1998, and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act 2000, No 32 of 2000.

1.1.2 ***"Basic Charge"*** means a fixed charge to recover fixed costs such as capital, meter reading, billing, vending, maintenance, etc. It may be recovered as a daily or monthly charge, but it is not applicable to subsidised tariffs. It is applicable irrespective of whether any services were used or not.

1.1.3 ***"Basic municipal services"*** means municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, could endanger public health or safety of the environment. For Mogalakwena Local Municipality this shall include *inter alia* electricity, water, refuse removal and sewerage services.

1.1.4 ***"Break-even"*** occurs when the revenue is equal to the total of the fixed and variable cost associated with the provision of the service.

1.1.5 ***"Co-generation"*** means the self-generation of electricity for consumption purposes used in conjunction with electricity from the municipal grid.

1.1.6 ***"Community services"*** are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature.

1.1.7 ***"Connection fee"*** means the fee payable as a contribution towards the cost of providing supply. This may be subsidised to facilitate the provision of services to poor households;

1.1.8 ***"Consumption based tariff"*** means a tariff set as a Rand amount per measurable unit of service;

1.1.9 ***"Cost reflective tariff"*** means a two-part tariff consisting of a Basic Charge and an Energy Charge or a three-part tariff which includes a Demand Charge;

1.1.10 **"Consumer, customer, owner, occupier and account-holder"** in this policy refers to individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied.

1.1.11 ***"CPIX"*** means the consumer price index excluding mortgage costs as measured by Stats SA;

1.1.12 ***"Credit Meter"*** means a meter where an account is issued subsequent to the

consumption of the service (water or electricity);

1.1.13 ***"Demand Charge"*** means the charge payable for each kilovolt-ampere (kVa) for the maximum demand supplied during any 30 consecutive minutes of a calendar month;

1.1.14 ***"Economic services"*** are services that Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers.

1.1.15 ***"Energy Charge"*** **means a charge for each kilowatt-hour (kWh) of electrical energy;**

1.1.16 ***"Senior Manager"*** means a person appointed by Council in terms of section 56(1) (a) of the Act as a manager directly accountable to the municipal manager.

1.1.17 ***"Green Energy"*** means energy generated from a sustainable source such as solar, wind or wave;

1.1.18 ***"Interest***" means the prime bank lending rate

1.1.19 ***"Low Voltage (LV)"*** means 230 volts single phase / 400 volts three phase;

1.1.20 ***"Medium Voltage (MV)"*** means the set of voltage levels greater than 1kV up to and including 44kV;

1.1.21 ***"Meter"*** means a device that records the demand and / consumption of a specific service (water or electricity) and includes Credit and Prepayment meters;

1.1.22 ***"Poor households"*** means those households in the municipal area defined as indigent households in the Indigent Policy.

1.1.23 ***"Prepayment Meter"*** means a meter that can be programmed to allow the flow of a pre-purchased amount of energy or water in an electrical circuit or water circuit.

1.1.24 **"*Refuse removal service point"*** means any inhabitable unit on an erf (dwelling, flat, etcetera) where a standard refuse collection service is rendered notwithstanding the number of bins collected at the service point.

1.1.25 ***"Resident"*** means a person who ordinary resides in the jurisdictional area of Mogalakwena Local Municipality.

1.1.26 ***"Schedule of Tariffs"*** means a schedule containing details pertaining to levels and application of various tariffs as approved by the Municipality from time to time;

1.1.27 ***"Special Tariffs"*** means a special tariff which may be introduced from time to time in terms of sub-paragraph 74(2) (g) of the Municipal Systems Act

1.1.28 ***"Sundry Tariff"*** means a charge for additional general services rendered such as reconnections, disconnections, meter testing, etc. These will be published in a tariff

schedule, which may be adjusted from time to time;

1.1.29 ***"The Act"*** refers to the Local Government: Municipal Systems Act, No 32 of 2000.

1.1.30 ***"Total cost"*** is the sum of all fixed and variable costs associated with a service.

1.1.31 ***"Trading services"*** are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services.

1.1.32 ***"Units consumed"*** are the number of units consumed of a particular service.

1.1.33 ***"Variable costs"*** are costs that vary with consumption or volume produced.

1.1.34 ***"Wheeling" is the*** delivery of energy from a generator to an end-user located in another area through the use of an existing distribution or transmission networks.

2. PURPOSE OF THIS POLICY

2.1 Mogalakwena Local Municipality wishes to achieve the following objectives by adopting this Tariff Policy:

(a) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, No 32 of 2000;
(b) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
(c) To give guidance to the Mayor and Mayoral Committee regarding tariff proposals that must be submitted to Council annually during the budget process.

3. TARIFF PRINCIPLES

3.1 Mogalakwena Local Municipality wishes to record that the following tariff principles will apply:

(a) All users of municipal services will be treated equitably;
(b) The amount payable by consumers and / or owners will generally be in proportion to usage of the service;
(c) Poor households must have access to basic services; however, relief will be granted to poor households on a targeted approach;
(d) Free basic services will depend on the equitable share grant received from the National Government which covers the full costs of the free basic services;
(e) Tariffs must reflect the total cost of services;
(f) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
(i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made;
(ii) Access to the capital market is maintained. This will be achieved by providing for the

repayment of capital, maintaining sufficient liquidity levels and making profits on trading services in order to subsidise rates and general services; and

(iii) By ensuring that service providers retain a fair rate of return on their investments;

(g) Provision may be made in appropriate circumstances for levying interest;

(h) Efficient and effective use of resources may be encouraged by providing for penalties to prohibit or restrict exorbitant use;

(i) The extent of subsidisation of tariffs will be disclosed and such disclosure will include the extent of subsidisation of the poor or incentives for local economic development;

(j) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

(k) VAT is excluded from all tariffs and will be additional to these tariffs when applicable; and

(l) This policy shall be binding on all tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act, No 32 of 2000.

3.2 Notwithstanding any of the above principles, indigent households and households qualifying for financial assistance identified as such would qualify for relief in terms of section 6 of this Policy.

4. CATEGORIES OF CUSTOMERS

4.1 Council may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

4.2 Where there are substantial differences between the infrastructures used to provide services to specific groups of users within a category and / or standard of services provided, the Council can, after considering a report by the Accounting Officer or the relevant manager of a Department determine differentiated tariffs for the different consumers within the specific category.

5. INVESTMENTS AND INCENTIVE POLICY

5.1 Tariffs will not reflect incentives for investment or to promote economic development. Such incentives will be developed as a separate policy and be subject to the discretion of Council in order to enhance sustainability.

5.2 All such incentives will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.

6. INDIGENT AND FINANCIAL ASSISTANCE

6.1 Tariffs will not reflect relief granted to poor households. Such incentives are developed in separate policies (Indigent Support Policy and Property Rates Policy) and be subject to the discretion of Council in order to enhance sustainability.

6.2 As such relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.

6.3 During implementation of these policies, cognisance will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments may be phased in over time.

6.4 Poor households are expected to manage their consumption beneath the levels of relief granted and are responsible for the payment of electricity and water consumption above the levels of relief granted.

6.5 Assistance and management of poor households is contained in the Indigent Support Policy and Property Rates Policy with their applicable by-laws. The Municipality, however, retains the right to limit consumption through prepaid meters or restriction of services if the account of an assisted household falls into arrears.

7. SERVICE- AND EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS

7.1 Service Classification

7.1.1 To isolate the costs associated with a service, the Chief Financial Officer shall, subject to guidelines provided by National Treasury of the Department of Finance and / or the Municipal Council, make provision for *inter alia* the following classification of services:

(a) Trading Services

(i) Water; and
(ii) Electricity

These services must generate a surplus which will be used to subsidize community services other than economical services.

(b) Economic Services

(i) Refuse removal;
(ii) Sanitation disposal;
(iii) Fixed billboards and the display of advertisements in public places; and
(iv) Holiday resorts

These services' charges must cover the cost of providing the services, i.e. it must at least break even. In the event of the latter not being possible within a period, the shortfall will be financed from the Municipal Property Rates revenue

(c) Rates Services

The revenue from Municipal Property Rates is utilized for Rates related services.

(d) Housing Services

These services are ring-fenced in the Housing Development Fund and the net operating balance is set off as a contribution to/from the Housing Development Fund.

(e) <u>Community Services</u>

(i) Air pollution;
(ii) Administration and treasury services;
(iii) Firefighting services;
(iv) Local tourism;
(v) Town planning;
(vi) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;
(vii) Storm water management system in built-up areas;
(viii) Trading regulations;
(ix) Cemeteries;
(x) Control of public nuisances;
(xi) Control of undertakings that sell liquor to the public;
(xii) Crime prevention;

(xiii) Facilities for accommodation, care and burial of animals;
(xiv) Fencing and fences;
(xv) Housing facilitation;
(xvi) Licensing of dogs;
(xvii) Licensing and control of undertakings that sell food to the public;
(xviii) Local Economic development;
(xix) Local amenities;
(xx) Local sport facilities;
(xxi) Marketing;
(xxii) Municipal parks and recreation;
(xxiii) Municipal roads;
(xxiv) Noise pollution;
(xxv) Pounds;
(xxvi) Public places;
(xxvii) Street trading / street lighting;
(xxviii) Trading licenses;
(xxix) Traffic and parking;
(xxx) Building control;
(xxxi) Licensing of motor vehicles and transport permits; and
(xxxii) Nature reserves

(f) <u>Subsidised Services</u>

(i) Health and ambulance;
(ii) Libraries and museums; and
(iii) Proclaimed roads.

7.2 Expenditure Classification

7.2.1 Expenditure categories will be classified in accordance with Generally Recognised Accounting Practice (GRAP).

7.3 Cost Elements

7.3.1 The following cost elements may be used to calculate the tariffs of the different services:

(a) Fixed Costs:

Fixed costs consist of:

(i) Employee related costs applicable to the service to ensure that the service can be rendered on an on-going basis at the desired service level;
(ii) Capital costs (interest and depreciation) on external loans; depreciation on assets obtained through grants; as well as depreciation on assets obtained through own funds, whichever are applicable to the service; and
(iii) Any other costs of a permanent nature as determined by the Council from time to time.

(b) Variable Cost:

This includes all other variable costs that have reference to the service.

(c) Total Cost:

This is equal to the fixed cost-plus variable cost.

8. TARIFF TYPES

8.1 In determining the type of tariff applicable to the type of service, the municipality shall make use of any of the following six options or a combination thereof.

(a) Single tariff:

This tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer, the Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

(b) Cost related two-to-four-part tariff:

This tariff shall consist of two to four parts. Management, capital, maintenance and operating costs may be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and may be recovered by a fixed charge, independent of consumption for all classes of consumers; or the total costs may be recovered by a unit charge per unit consumed. Three- and four-part tariffs will be used

to calculate the tariff for electricity and to provide for maximum and notified demand (KVA charges) and usage (kWh charges) during peak, standard and off-peak (Time- of-use charges) periods.

(c) Inclining block tariff:

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.

(d) Regulating tariff:

This tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

(e) Cost plus mark-up tariff:

This tariff is for other services rendered.

9. CALCULATION OF TARIFFS FOR MAJOR SERVICES

9.1 In order to determine the tariffs which must be charged for the supply of the four major services (electricity, refuse removal, sanitation and water), the Municipality shall use service and expenditure classifications and cost elements contained in paragraph 7 above and identify all the costs associated with the service concerned, including specifically the following:

(a) Cost of bulk purchases in the case of water and electricity;
(b) Distribution costs, 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 costs, including:
(i) Service charges levied by other support services such as finance, human resources, legal services, information technology services, etcetera;
(ii) Reasonable general overheads such as the costs associated with the office of the Accounting Officer etcetera;
(iii) Adequate contributions to the provisions for bad debts, working capital and obsolescence of stock; and
(f) All other ordinary operating expenses associated with the service concerned including in the case of the electricity service, the cost of providing street lighting in the municipal area; The cost of the democratic process in the municipality – that is all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues and shall also be included into the costing of the major services of the municipality;
(g) The intended surplus to be generated for the financial year, such surplus to be applied:
(i) As an appropriation to the capital replacement reserve; and / or
(ii) Generally, in relief of rates and general services; and
(h) The municipality shall provide the first 6k**l** of water per month free of charge to all

approved indigent households and households qualifying for financial assistance.

9.2 **Electricity**

9.2.1 The guidelines and policy issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.

9.2.2 To make electricity affordable to certain categories of consumers, cross subsidisation between and within categories of consumers, will be allowed based on the load factors of the categories and consumers within the category.

9.2.3 To cater for alternative sources of energy generation a co-generation tariff based on the amount of green energy pushed back into the municipal grid is established as per the rules published in the annual tariff list.

9.2.4 The fixed costs or portions thereof will be recovered through an energy or time-of- use charge for 20Amp consumers and business consumers. The fixed cost for domestic consumers will be recovered through a fixed levy based on the size of the connection.

9.2.5 To apply the abovementioned principles, the consumer types and cost allocations reflected in the following table will be used:

Categories of consumers	**Fixed Charge Rand/ Customer /Month**	**Active Energy Charge Cents/kWh**	**Seasonally Time-of-Use Energy Charge Peak/Standard/ Off-Peak (kWh)**	**Capacity Charge Rand/KVA/ Month**
Domestic Pre-paid	X	X		X
Domestic	X	X		X
Business Pre-paid	X	X		X
Small business >60A	X	X		X
Small business <60A	X	X		X
Business = 400 V	X	X		X
Business = 11 kV	X		X	X
Co-Generation	X	X	X	
Wheeling		X		

9.2.6 Fixed basic charges will be levied per month.

9.2.7 The basic charges for both credit and pre-paid electricity shall be the same.

9.2.8 The municipality will permit the retail wheeling of electricity through its network by another electricity supplier that is licensed for the trading of electricity in terms of the Electricity Regulation Act to the customers of this electricity supplier.

9.2.8 Where a property or registered erf is not connected to the electricity reticulation system, but can reasonably be so connected, an availability tariff will be payable per registered erf.

9.3 **Water**

9.3.1 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.

9.3.2 Categories of consumption and charges

9.3.2.1 Domestic Consumers

(a) The first 6 (six) Kl of water consumption per month shall be supplied free of charge to all indigent households and to households qualifying for financial assistance.

(b) Erven with more than one dwelling must furnish the municipality with an affidavit stipulating the number of dwellings on the erf, to qualify to be billed on the sliding scale for all the dwellings on the erf.

(c) Because water is a scarce national resource and this municipality is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water shall escalate according to the volume of water consumed.

(d) The tariffs for conventional domestic consumption shall be based on the levels reflected in the following table:

Kilolitres per month			
Step 1	0	to	≤6
Step 2	> 6	to	≤10
Step 3	>10	to	≤15
Step 4	>15	to	≤30
Step 5	>30	to	≤45
Step 6	> 45	to	≤ 55
Step 7	> 55	and	above

(e) Gated estates on the municipal grid where water is supplied through a bulk water meter, will also be billed according to the above sliding scale. An affidavit with the number of dwellings in the gated estate must be furnished to the municipality.

(f) Gated estates partially or fully off the municipal grid will have the choice to be billed according to the flat rate or the above sliding scale. An affidavit with the number of dwellings in the gated estate must be furnished to the municipality if the gated estate elects to be billed on the sliding scale.

(g) The pre-paid domestic consumers' tariff shall be based on the levels reflected in the following table:

Kilolitres per month			
Step 1	0	to	≤6
Step 2	>6	to	≤10
Step 3	>10	to	≤15
Step 4	>15	to	≤30
Step 5	>30	to	≤ 45
Step 6	> 45	to	≤55
Step 7	> 55	and	above

(h) Domestic Untreated water:

Kilolitres per month			
Step 1	0	to	≤6
Step 2	>6	to	≤10
Step 3	>10	to	≤15
Step 4	>15	to	≤30
Step 5	>30	to	≤50
Step 6	>50	to	≤80
Step 7	>80	and	above

(i) A basic charge per water meter size as determined by the Council from time to time will be charged on all water consumers.

(j) The basic charges for boreholes will be determined on an annual basis as per the approved tariffs of Council.

(k) Where consumers are not connected to the water services and these consumers or registered erven can reasonably connect to the service within an approved township establishment, an availability tariff will be payable per registered erf.

(l) A water restriction tariff is approved by Council annually to be implemented during times of water restrictions forced onto us by our suppliers of water or drought conditions. This increased tariff will be applied to all the categories and their usage levels as illustrated in paragraph c and e above.

9.3.2.2 Other Water consumers

Categories of consumers	Single Tariff	Sliding Scale
Sport Purposes, Schools, College, Churches (for irrigation purposes)		X

Categories of consumers	Single Tariff	Sliding Scale
Irrigation Purposes		X
Industrial Purposes		X
Any other purposes other than above	X	
Waste water effluent	X	
Sport Organisation hosting national or international events	X	
Prisons	X	
Businesses Saron		X
Business Rural Area	X	
Special Agreements		X
Municipal Usage	X	
Usage due to transgression	X	
Standpipes	X	

9.3.3 A basic/availability charge per month shall be charged to every vacant erf.

9.4 **Refuse Removal**

9.4.1 A fixed monthly refuse removal charge shall apply to each category of users based on the full costs of the service concerned and the applicable level of service that can vary from once a week up to seven times a week.

9.4.2 The fixed charge referred to in paragraph 9.4.1 above will apply to every refuse removal service point as defined and the costs associated with its disposal.

9.4.3 A basic/availability charge per month shall be charged to every vacant erf.

9.4.4 A basic/availability charge per month shall be charged to each developed erf within a gated village, sectional title estate or any other property that make use of a private contractor for collection and disposal of refuse. The basic/availability charges per month for the above categories will be based on the difference between the number of refuse bins and the number of waste generators (registered sectional title units, lettable space, flats etc.)

9.5 **Sewerage**

9.5.1 The categories of sewerage users as set out below shall be charged per month at the applicable tariff as approved by Council in each annual budget.

9.5.2 Categories of usage and charges

(a) A basic (availability) charge per month shall be charged for vacant erven.

(b) A separate fixed monthly sewerage charge shall apply to each category of users based the size of a developed plot.

(c) An additional monthly fee may be charged per toilet or any other type of measurement Council may determine from time to time.

(d) An effluent fee shall further be payable by factories and other industrial users where the waste water emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the waste water concerned and the costs of the purification.

9.6 **Minor tariffs**

9.6.1 All minor tariffs shall be standardised within the municipal region.

9.6.2 All minor tariffs shall be approved by Council in each annual budget and shall, when deemed appropriate by 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.

9.6.3 Minor tariffs shall include but not limited to the following:

(a) Cemetery fees;
(b) Housing rentals;
(c) Library fees (e.g. membership fees, fines, lost books, lost membership cards);
(d) Rentals for the use of municipal premises;
(e) Rentals for the use of municipal sports grounds;
(f) Rentals for the lease of municipal property;
(g) Building plan fees;
(h) Advertising sign 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) Pound fees;
(p) Electricity: disconnection and reconnection fees;
(q) Electricity: new connection fees;
(r) Water: disconnection and reconnection fees;
(s) Water: new connection fees;
(t) Penalty and other charges in terms of the Credit Control, Debt Collection Policy;
(u) Supply of information;
(v) Garden refuse removal;
(w) License fees (drivers, learner license and road worthy);
(x) Sale of livestock; and

(y) Sale of miscellaneous items.

9.6.4 The Accounting Officer shall maintain a list of all minor services indicating their unit of service for the purpose of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees, charges and levies.

10. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

10.1 After a draft budget as required by the Local Government: Municipal Finance Management Act (MFMA) has been tabled, the Accounting Officer must invite the local community to submit representations for consideration by Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.

10.2 After approval of the annual budget in terms of section 24 of the MFMA, Council will give notice in terms of section 75A of the Act of all tariffs approved at the annual budget meeting and the Municipal Manager shall without delay conspicuously display a copy of the resolution for a period of at least 30 days at the main administrative office of the Municipality and at such other places within the Municipality to which the public has access as the Municipal Manager may determine.

10.3 A notice stating the purpose of the Council Resolution, date on which the new tariffs shall become operational and invitation for objections, will be advertised by the Municipality in terms of section 75A(3)(b) of the Act.

10.4 All tariffs approved must have been considered at the annual budget meeting.

11. IMPLEMENTING AND PHASING IN OF THE POLICY

11.1 The principle contained in this policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of the Act.

11.2 Council may determine conditions applicable to a community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

12. PROCEDURES AND ACCOUNTABILITY

12.1 The Accounting Officer shall ensure that procedures to manage all aspects of this policy are prepared in the form of a manual, reviewed regularly and that these are formally adopted by him / her for implementation. These procedures will include aspects in this policy and subscribe to sound principles of internal control.

12.2 The manager of a Department shall ensure compliance with the procedures as approved from time to time by the Accounting Officer to give effect to the provisions of this policy.

13. SHORT TITLE

13.1 This policy is the Tariff Policy of Mogalakwena Local Municipality.

ANNEXURE J

Property Rates Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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MOGALAKWENA LOCAL MUNICIPALITY

PROPERTY RATES POLICY

1 LEGISLATIVE CONTEXT

1.1 Section 229 of the Constitution of the Republic of South Africa, No 108 of 1996, determines that a municipality may impose rates on property subject to any regulated national legislation.

1.2 Section 2 of the Local Government: Municipal Property Rates Act, No 6 of 2004, determines that a municipality may levy a rate on property in its area subject to:

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

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

(c) The rates policy it must adopt in terms of section 3.

1.3 Section 3 of the MPRA determines that the council of a municipality must adopt a policy consistent with the MPRA on the levying of rates on rateable property in the municipality.

1.4 Section 4(1)(c)(ii) of the Local Government: Municipal Systems Act, No 32 of 2000, determines that the council of a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.

1.5 Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, No 56 of 2003, the Municipal Manager must ensure that the municipality has and implements a rates policy.

1.6 This policy must be read together with, and is subject to the stipulations of the MPRA and any regulations promulgated in terms thereof.

2 DEFINITIONS

2.1 ***"Accommodation"*** means accommodation in an accommodation establishment: a room, dwelling-house or second dwelling unit, self-catering room, self-catering apartment or freestanding building let to transient guests;

2.2 ***"Accommodation establishments"*** means the provision of overnight accommodation for paying guests on a short-term basis (where the same guests stay for periods typically less than 30 days) and includes examples such as self-catering dwelling units, bed and breakfast facilities, guest house, guest lodge, backpackers' accommodation, camping and includes ancillary facilities to serve such guests only, but excludes a hotel.

2.3 *"**Act**"* means the Local Government: Municipal Property Rates Act, No 6 of 2004 (amended 01 July 2015).

2.4 *"**Agent**"*, in relation to the owner of a property, means a person appointed by the owner of the property:

(a) To receive rental or other payments in respect of the property on behalf of the owner; or

(b) To make payments in respect of the property on behalf of the owner.

2.5 *"**Agricultural purpose**"* means a farm or small holding property that is used for the cultivation of soils for purposes of planting and gathering crops; forestry in the context of the planting, growing and sawing-off of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish; and:

(a) In relation to the use of property, excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

(b) In relation to an agricultural unit used for irrigation purposes, includes all irrigation stands being operated by the same farmer as a single agricultural unit in the sole discretion of the Municipality; and

(c) In relation to an agricultural unit used for stock-farming purposes, includes all stock-farms being operated by a farmer as a single agricultural unit in the sole discretion of the Municipality.

2.6 ***"Agricultural property"*** means property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for 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;

2.7 *"**Annually**"* means once every financial year.

2.8 ***"Business and commercial property"*** means:

(a) Property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or

(b) Property on which the administration of the business of private or public entities take place.

2.9 ***"Category"***

(a) In relation to property, means a category of properties determined in terms of paragraph 6 of this policy; and

(b) In relation to owners of properties, means a category of owners determined in terms of paragraph 7 of this policy.

2.10 ***"Child-headed household"*** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.

2.11 ***"Definitions, words and expressions"*** as used in the Act are applicable to this policy document wherever it is used.

2.12 **"*Household"*** means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.

2.13 ***"Household income"*** means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by all persons residing on the property.

2.14 ***"Industrial property"*** means property used for construction, repair, trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity.

2.15 ***"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, No 126 of 1993; or

(ii) The Restitution of Land Rights Act, Act No 22 of 1994;

(b) Holds the property subject to the Communal Property Associations Act, No 28 of 1996; and

(c) Holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect.

2.16 ***"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 1991).

2.17 **"*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).

2.18 ***"Multiple purposes"*** in relation to a property means the use of a property for more than one purpose, subject to section 9.

(a) The different uses will be grouped into two or more components. The first will be the primary component; the other components (sub-components) will be identified by their generalised functional name.

(b) The category of the primary component of such a property will be directed in the first instance by the permitted use of the property, but at the sole discretion of the Municipality.

2.19 ***"Municipality"*** means the Local Municipality of Mogalakwena Local.

2.20 ***"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 the Act took effect, excluding:

(a) A property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and

(b) A property identified by the Minister by notice in the Gazette where the phasing- in of a rate is not justified.

2.21 ***"Officer bearer"*** in relation to places of public worship, means the primary person who officiates at the services at that place of worship.

2.22 ***"Official residence"*** in relation to places of public worship, means –

(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 public worship,

registered in the name of the 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.

2.23 ***"Owner":***

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

(c) In relation to a time-sharing interest contemplated in the Property Time-Sharing Control

Act, 1983 (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;

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

(e) 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;

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

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

Provided that a person mentioned below may for the purposes of this Policy be regarded by the Municipality as the owner of a property in the following cases:

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

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

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

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

(v) 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;

(vi) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it;

(vii) 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; or

(viii) A lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right.

2.24 **"*Place of public worship"*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –

(a) Registered in the name of the religious community;

(b) Registered in the name of a trust established for the sole benefit of a religious community or:

(c) Subject to a land tenure right.

2.25 ***"Private cemeteries and Memorial wall"*** mean land which is used as a cemetery (any land containing one or more grave / memorial wall) but not owned by Mogalakwena Local Municipality.

2.26 ***"Private Open Space"****,* means any land in private ownership used primarily as a private site for play, rest or recreation without financial gain.

2.27 "Property" means:

(a) Immovable property registered in the name of a person/s, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person/s;

(b) A right registered against immovable property in the name of a person/s, excluding a mortgage bond registered against the property;

(c) A land tenure right registered in the name of a person/s or granted to a person/s in terms of legislation; or

(d) Public service infrastructure.

2.28 ***"Public service infrastructure"*** means publicly controlled infrastructure of the following kinds:

(a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;

(b) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;

(c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;

(d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

(e) Railway lines forming part of a national railway system;

(f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;

(g) Runways, aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be

vacant for air navigation purposes;

(h) Breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;

(i) Any other publicly controlled infrastructure as may be prescribed; or

(j) Rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (a) to (i) above.

2.29 ***"Public service purposes"*** in relation to the use of a property, means property owned and used by the state as -

(a) Hospitals or clinics;

(b) Schools, pre-schools, early childhood development centres 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".

2.30 ***"Ratio"*** in relation to section 19 of the Act, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties:

2.31 ***"Residential property"*** means a property included in a valuation roll in terms of section 48(2)(b) of the Act in respect of which the primary use or permitted use is for residential purposes without derogating from section 9. For more clarity residential property in this policy will refer to improved property (structural improvements) that:

(a) Is used predominantly for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;

(b) Is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes;

(c) Is owned by a share-block company and used solely for residential purposes;

(d) Is a residence used for residential purposes situated on property used for or that is related to educational purposes;

(e) Is property which is included as residential in a valuation roll in terms of section 48(2)(b) of the Act;

(f) Is retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

(g) All residential properties with more than one use, irrespective of its zoning, will be multi purposed by the valuer to enable Council to levy the correct property rates levy on the intended use.

2.32 ***"Rural communal settlements"*** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

2.33 ***"Sport property"*** means property (grass or other surfaces sport fields as well as clubhouses) predominantly used for amateur sporting activities.

2.34 ***"State trust land"*** means land owned by the state:

(a) In trust for persons communally inhabiting the land in terms of a traditional system of land tenure;

(b) Over which land tenure rights were registered or granted; or

(c) Which is earmarked for disposal in terms of the Restitution of Land Rights Act, No 22 of 1994.

2.35 ***"Wind Farms"*** means an area of land with a group of energy-producing windmills or wind turbines.

3 OBJECTIVES OF THE POLICY

3.1 The objectives of this policy are: –

(a) To comply with the provisions of section 3 of the Act;

(b) To determine criteria to be applied for:

(i) Levying different property rates for different property or categories or sub- categories as determined in terms of section 8 of the Act;

(ii) Exemptions;

(iii) Reductions;

(iv) Rebates; and

(v) Rate increases or decreases;

(c) To determine or provide criteria for the determination of:

(i) Categories of properties or sub-categories for the purpose of levying different property rates; and

(ii) Categories of owners of properties or categories of properties or sub- categories for the purpose of granting exemptions, rebates and reductions;

(d) To determine how the Municipality's powers should be exercised in terms of multiple-used properties;

(e) To identify and quantify the following for the Municipality in terms of cost and the benefit to the community:

(i) Exemptions, rebates and reductions;

(ii) Exclusions; and

(iii) Rates on properties that must be phased in;

(f) To take into account the effect of property rates on the poor;

(g) To take into account the effect of property rates on organisations that perform activities for public benefit activities;

(h) To take into account the effect of property rates on public services infrastructure;

(i) To determine measures to promote local economic and social development;

(j) To identify all rateable revenue not being rated; and

(k) In respect of agricultural property, give effect to the regulations promulgated in terms of section 83 and 19(1)(b) of the Act.

4 POLICY PRINCIPLES

4.1 Property rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the Municipality's valuation roll and supplementary valuation roll.

4.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in

paragraph 6 and 7 of this policy. Some categories of property and categories of owners are granted relief from rates. The Municipality however does not grant relief in respect of payments of property rates to any category of owners or properties, or to owners of properties on an individual basis.

4.3 There shall be no phasing in of property rates based on the new valuation roll, except as prescribed by legislation and in accordance with paragraph 15 of this policy.

4.4 In accordance with section 3(3) of the Act, the property rates policy for the Municipality is based on the following principles:

(a) Equity

The Municipality will treat all ratepayers with similar properties the same.

(b) Affordability

The ability of a person to pay rates will be taken into account by the Municipality. In dealing with the poor / indigent ratepayers the Municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.

(c) Sustainability

Rating of property will be implemented in a way that:

(i) It supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the Municipality;

(ii) Supports local, social and economic development; and

(iii) Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Property rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account any profits generated on trading services (water and electricity) as well as economic services (refuse removal and sanitation) and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the Municipality from time to time.

5 CLASSIFICATION OF SERVICES

5.1 The Municipal Manager or his / her delegated official must, subject to the guidelines provided by National Treasury and the Municipal Council of the Municipality, through the Municipality's Tariff Policy make provision for the following classification of services:

(a) Trading services

(i) Water.

(ii) Electricity.

(b) Economic services

(i) Refuse removal.

(ii) Sanitation.

(c) Community and subsidised services

These include all those services ordinarily being rendered by the Municipality excluding those mentioned in subparagraph 5.1(a) and (b) above.

5.2 Trading and economic services as referred to in paragraph 5.1(a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in paragraph 5.1(c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

6 CATEGORIES OF PROPERTIES.

6.1 Subject to section 19 of the Act, Mogalakwena Local Municipality may, in terms of the criteria set out in its property rates policy, levy different property rates for different categories of rateable properties, which may include categories determined according to:

(a) The use of the property;

(b) The permitted use of the property;

(c) A combination of (a) and (b)

6.2 Categories of rateable property that may be determined in terms of paragraph 6.1 above include the following:

(a) Residential property;

(b) Property that is vacant (empty stands) with zoning or proposed use earmarked for residential property;

(c) Property that is vacant (empty stands) with zoning or proposed use earmarked for industrial, business or commercial;

(d) Industrial property;

(e) Business and commercial property;

(f) Agricultural purposes;

(i) Agricultural properties which provide potable water, accommodation, electrification, land burial rights and or education and recreational facilities to own and surrounding farm workers.

(g) Mining properties;

(h) Properties owned by an organ of state and used for public service purposes;

(i) Municipal property;

(j) Public service infrastructure as referred to in the Act;

(k) Properties owned by public benefit organisations and used for specified public benefit activities;

(l) Property:

(i) Acquired through the Provision of Land and Assistance Act, No 126 of 1993, or the Restitution of Land Rights Act, No 22 of 1994; or

(ii) Which is subject to the Communal Property Associations Act, No 28 of 1996;

(m) Protected areas;

(n) Amateur sport property.

(o) Professional sport property;

(p) Property used for multiple purpose, subject to section 9 of the Act;
(q) Private open space;

(r) Any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the Gazette.

(s) Sectional Title Garages

6.3 In addition to the above categories of rateable property determines in terms of section 8(2) of the Act, a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of section 8(2) of the Act.

6.4 Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in section 8(2) of the Act, a municipality may apply to the Minister in writing for authorisation to create one or more of such sub categories.

6.5 In determining the category or sub-category of a property referred to in paragraph 6.2 above the Municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.

6.6 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in paragraph 8 of this policy.

7 MULTI PURPOSE USE OF PROPERTIES

7.1 Properties used for multiple purposes which for example do not fall within the definition of residential properties and, accordingly, do not qualify for the residential rate, may be included into the category of multiple-use properties, as per section 9(1)(c) of the Act, for which an apportionment of value for each distinct use of the property, irrespective of its zoning rights, will be calculated by the municipal valuer and used for billing at the appropriate and applicable rate.

7.2 All properties in Mogalakwena Local Municipality with more than one use, irrespective of its zoning rights, will be multiple purposed by the municipal valuer.

8 DIFFERENTIAL RATING

8.1 Criteria for differential rating on different categories of properties in terms of section 8(1) of the Act will be according to:

(a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes; and

(b) The promotion of local, social and economic development within the Municipality.

8.2 Differential rating among the various property categories will be done by way of:

(a) Setting a different cent amount in the rand for each property category or sub- category; and

(b) By way of reductions and rebates as provided for in this policy document.

9 EXEMPTIONS AND IMPERMISSIBLE RATES

9.1 The following categories of property are exempted from rates:

(a) <u>Municipal properties</u>

Municipal properties are exempted from paying property rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal

properties are leased, the lessee will be responsible for the payment of the determined property rates in accordance with the lease agreement.

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying property rates. For the 2024/2025 financial year the maximum reduction is determined as R 250,000. The impermissible rates of R 15,000 contemplated in terms of section 17(1)(h) of the Act is included in the amount referred to above as annually determined by the municipality.

(c) Private Open Spaces

All private open spaces are exempted from the levying of rates.

(d) Public benefit organisations (PBO's)

(i) Taking into account the effects of property rates on PBO's performing a specific public benefit activity and if registered in terms of Part 1 of the Ninth Schedule to the Income Tax Act, No 58 of 1962, for tax reduction because of those activities, PBO's may apply for the exemption of paying property rates. PBO's may include, *inter alia*: -

(a) Welfare and humanitarian (charitable) organisations;

(b) Cultural organisations (museums, libraries, art galleries and botanical gardens);

(c) Sporting organisations (non-professional);

(d) Conservation, environmental and animal welfare organisations;

(e) Health care organisations; and

(f) Education and development.

(ii) All possible benefiting organisations in paragraph 9.1 must apply initially for exemptions. All applications must be addressed in writing to the Municipality by 31 August for the financial year in respect of which the rate is levied for the first time. If the exemption applied for is granted the exemption will apply from the effective date of the municipal valuation roll where the properties is included.

(iii) Public benefit organisations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.

(iv) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

(v) The extent of the exemptions implemented in terms of paragraph ~~10.1 to~~ 9.1 must annually be determined by the municipality and included in the annual budget.

(vi) Exemptions in paragraph 9.1(a), 9.1(b) and 9.1(c) will automatically apply and no application is thus required. Exemptions in terms of paragraph 9.1(d) require an initial application where after it will be applied automatically.

(vii) any rateable property registered in the name of the Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any organisation that is, in the opinion of the Municipality, similar thereto or any rateable property let by the Municipality to any such organisation

(e) Private Cemeteries and Memorial Walls

(f) Public Service Infrastructure

Public service infrastructure is exempted from paying property rates as allowed for in the Act as they provide essential services to the community.

(g) Section 15 (2A) properties (b) properties

Properties that have been declared to be subject to the provisions of National Heritage Resources Act, No 25 of 1999 and or an institution that has been declared as to be subject to the Cultural Institutions Act, No 119 of 1998 are exempted from paying property rates.

10 REDUCTIONS

10.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad hoc* basis in the event of the following:

(a) Partial or total destruction of a property; and

(b) Disasters as defined in the Disaster Management Act, No 57 of 2002.

10.2 The following conditions shall be applicable in respect of paragraph 10.1:

(a) The owner referred to in clause 10.1(a) shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the Municipality that the property has been totally or partially destroyed. He / she will also have to indicate to what extent the property can still be used and the impact on the value of the property. The reduction in property rates will only be considered after the municipality has been supplied with a demolition certificate, demolition invoice or proof of destruction e.g. fire brigade report, photos etc.

(b) A maximum reduction that may be determined on an annual basis shall be allowed in respect of clauses 10.1(a). From the 2024/2025 financial year the maximum reduction is determined as 80% for properties referred to in clause
10.1 (a) and remains the same until re-determined by Council.

(c) Property owners will only qualify for a reduction if affected by a disaster as referred to in the Disaster Management Act, No 57 of 2002. The reduction will be determined by

Council on an ad-hoc basis based on the nature and financial impact of the disaster.

(d) An *ad-hoc* reduction as stipulated in paragraph 10.1 a and b will not be given for a period in excess of 3 months, unless the Municipality gives further extension on application.

11 REBATES

11.1 Categories of property

11.1.1 Business, commercial and industrial properties

(a) The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:

(i) Job creation in the municipal area;

(ii) Social upliftment of the local community; and

(iii) Creation of infrastructure for the benefit of the community;

(b) A maximum rebate as annually determined by the Municipality will be granted on approval, subject to:

(i) A business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;

(ii) A continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and

(iii) An assessment by the Municipal Manager or his / her nominee indicating that the company qualifies; and

(c) All applications must be addressed in writing to the municipality for the financial year in respect of which the property rates are levied. If the rebate applied for is granted the rebate will apply from the date of receipt of the application.

(d) The maximum rebate determined for qualifying businesses will be determined in terms of the approved Investment Incentive Policy for the 2024/2025 financial year and onwards.

11.1.2 Business properties situated outside the urban core

(a) The Municipality grants a rebate, to be determined on an annual basis, which applies to business properties situated outside the urban core, which cannot connect to the water and or sewer reticulation network system.

(b) An additional rebate (based on the total property rates value) of a maximum of 40% will be granted by the municipality.

11.1.3 Agricultural property rebate

(a) When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the Municipality must take into account:

(i) The extent of rates related services rendered by the Municipality in respect of such properties;

(ii) The contribution of agriculture to the local economy;

(iii) The extent to which agriculture assists in meeting the service delivery and developmental objectives of the Municipality; and

(iv) The contribution of agriculture to the social and economic welfare of farm workers.

(b) In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non-residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% "rebate" on the tariff for residential properties). Since the 2009/2010 financial year the minister has promulgated a ratio of 1:0.25.

(c) An additional rebate (based on the total property value) of a maximum of 10% will be granted by the municipality in respect of the following:

(i) 2.5% for the provision of accommodation in a permanent structure to farm workers and their dependents or families;

(ii) 2.5% if these residential properties are provided with potable water;

(iii) 2.5% if the residential properties of the farm workers are electrified; and

(iv) 2.5% for the provision of land for burial of own farm workers or for educational and / or recreational purposes to own farm workers as well as for workers from surrounding farms.

(d) The granting of additional rebates is subject to the following:

(i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality and contribution to the social and economic welfare of farm workers were met. If the rebate applied for is granted the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement.

(ii) Council reserves the right to send officials or its agents to premises/ households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any

changes in their original application.

(iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

(e) No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in paragraph 9.1(b) of this policy.

11.1.4 Properties where the municipality is unable to provide municipal services

(a) The Municipality grants an additional rebate, to be determined on an annual basis, which applies to residential properties on small holdings and in rural areas serviced by the owner.

(b) An additional rebate (based on the total property rates value) of a maximum of 22.5% will be granted by the municipality in respect of the following:

(i) 7.5% if the owner renders a full water service;

(ii) 7.5% if the owner renders a full refuse removal service; and

(iii) 7.5% if the owner renders a full sanitation service.

(c) An additional rebate for disabled persons (based on the total property value) of a maximum of 7.5% will be granted by the municipality in respect of the following:

(i) 2.5% if the owner renders a full water service;

(ii) 2.5% if the owner renders a full refuse removal service: and

(iii) 2.5% if the owner renders a full sanitation service.

(d) The granting of additional rebates is subject to the following:

(i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality were met. This application will be required as a once off requirement. Any new applications for the 2024/2025 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted, the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement. These rebates are over and above the R250,000 exemption on residential properties referred to in paragraph 9.1(b) of this policy.

(ii) Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.

(iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

11.2 **Categories of owners**

11.2.1 Indigent owners

(a) Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the Municipality, regardless of the value of the property, will receive a rebate of up to a property value of R100,000 from payment of property rates.

11.2.2 Child headed families

(a) Families headed by children shall receive a 100% rebate from paying property rates, according to monthly household income, subject to the provisions listed below. To qualify for this rebate the head of the family must:

(i) Occupy the property as his / her normal residence;

(ii) Not be older than 18 years of age;

(iii) Still be a scholar or jobless; and

(iv) Be in receipt of a total monthly income from all social grant resources not exceeding an amount to be determined annually by the Municipality in the Indigent Policy.

(b) The family head must apply on the prescribed application form for registration as a child headed household and must be assisted by the Municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

11.2.3 Retired persons sixty (60) years and older

(a) Retired persons sixty years and older, qualify for special rebates according to their pensioner and age status. To qualify for the rebate a property owner must:

(i) Occupy the property as his / her normal residence;

(ii) Be at least 60 years of age as the breadwinner;

(iii) Be in receipt of a monthly pension as the only source of income except that interest on investments will be allowed and must be declared and may not exceed 25% of the pension income; and

(b) Property owners must apply on the prescribed application form for a rebate as determined by the Municipality. Applications must be accompanied by:

(i) A certified copy of the identity document or any other proof of the owner's

age which is acceptable to the Municipality;

(ii) Sufficient proof of income of the owner and his / her spouse; and

(iii) An affidavit from the owner.

(c) All applications must be addressed in writing to the Municipality for the financial year in respect of which the rate is levied. Any new applications for the 2024/2025 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement. These rebates are over and above the R250,000 exemption on residential properties referred to in paragraph 9.1(b) of this policy.

(d) An additional rebate (based on the total property value) of a maximum of 10 % will be granted by the Municipality for the 2024/2025 financial year.

(e) The Municipality retains the right to refuse the rebates if the details supplied in the application form were incomplete, incorrect or false.

11.2.4 Amateur sporting organisations

(a) The Municipality shall grant a rebate of 75% on the property rates levied for sport fields with grass or any other surfaces owned by amateur sporting organisations. This will also be applicable on sport fields located in gated villages.

(b) The Municipality shall grant a rebate of 25% on the property rates levied for the clubhouse, restaurant and other facilities associated with the sporting activities. This will also be applicable to similar facilities associated with sporting activities in gated villages.

11.2.5 Professional sporting organisations

(a) The Municipality may, on application by a professional sporting organisation, grant a rebate on the property rates levied on property owned by professional sporting organisations.

(b) Such an application must be accompanied with the latest audited set of financial statements and the audit report issued in terms of the South African Accounting Standards.

(c) For the 2024/2025 financial year a maximum rebate of 10% on property rates levied is determined, subject to Council's approval of the application submitted by the professional sporting organisation.

11.2.6 The extent of the rebates granted in terms of paragraphs 11.2.1 to 11.2.5 must annually be determined by the Municipality and included in the annual budget.

12 IMPERMISSIBLE RATES

12.1 In terms of section 17(1) of the Act the Municipality may, *inter alia*, not levy a rate:

(a) On any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of 'public service infrastructure'.

(b) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, No 57 of 2003, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes;

(c) On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resource Development Act, 2002 (Act No. 28 of 2002), excluding any building, other immovable structures and infrastructure above the surface of the mining property required for the purposes of mining;

(d) On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds or upon alienation of the property by the land reform beneficiary or his or heirs, dependants or spouse; and

(e) On a property 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 the office-bearer of that community who officiates at services at that place of worship.

13 PAYMENT OF RATES

13.1 The property rates levied on properties shall be payable:

(a) On a monthly basis; or

(b) Annually, before 15 October each year.

13.2 Ratepayers may choose paying rates annually in one instalment on or before 15 October each year. If the owner of property that is subject to property rates, notify the Municipal Manager or his / her nominee in writing by not later than 30 June in any financial year, or such later date in such financial year as may be determined by the Municipality that he / she wishes to pay all rates annually, such owner shall be entitled to pay all properties rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him / her in a similar manner.

13.3 The Municipality shall determine the due dates for payments in monthly instalments and the single annual payment and this date shall appear on the accounts forwarded to the owner or duly authorised.

13.4 Interest on arrear property rates, whether payable on or before 15 October or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control and debt collection policy of the Municipality.

13.5 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him / her in accordance with the provisions of the credit control and debt collection by-law of the Municipality.

13.6 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

13.7 Where the property rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which property rates were first levied in terms of the current valuation roll.

13.8 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted property rates payable shall be levied at the maximum rate permitted by prevailing legislation.

14 ACCOUNTS TO BE FURNISHED

14.1 The Municipality will furnish each person liable for the payment of property rates with a written account, which will specify:

(a) The amount due for property rates payable;

(b) The date on or before which the amount is payable;

(c) How the amount was calculated;

(d) The market value of the property, and

(e) Rebates, exemptions, reductions or phasing-in, if applicable.

14.2 A person liable for the payment of property rates must furnish the municipality with an address where correspondence can be directed to.

14.3 A person liable for payment of property 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 enquiries with the Municipality.

14.4 In the case of joint ownership, the Municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

14.5 When an owner's rates account is in arrears for longer than 90 (ninety) days, then the

Municipality may initiate the proceedings as described in Sections 28 or 29 of the MPRA. A notice to this effect will be forwarded to the tenant, occupier or agent providing the required legal information regarding their payments to the owner, which are to be redirected to the municipality so as to cover the arrear rates account. A notice will be forwarded to the owner in question to indicate the legal proceedings and the actions that the municipality has initiated.

15 RATES CLEARANCE CERTIFICATES

15.1 The municipality shall issue a rates clearance certificate in terms of Section 118(1) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000), after payment of the subscribed administration fee, and once the current account of the rates and services is paid plus 2 months (60 days) in advance in order to facilitate the transfer of immovable property.

15.2 Rates clearance certificates has a validity of 60 days from the date it has been issued, in terms of Section 118(1) (b) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000).

15.3 All debt is deemed to be collectable by the municipality in terms of Section 118(3) of the Systems Act. The municipality retains the right to collect debt from a previous owner despite the issuance of a clearance certificate or registration of the transfer of the property in the name of a new owner. After registration of the transfer the outstanding debt of the previous owner may not be collected from the new owner.

15.4 No interest shall be paid by the municipality to the registered seller in respect of these payments which are deemed to be due.

15.5 According to Section 102 of the Systems Act (Act 32 of 2000), a Municipality may:

(a) Consolidate any separate accounts of persons liable for payments to the municipality;
(b) Credit a payment by such a person against any accounts/s of that person; and
(c) Implement any of the debt collection and credit control measures to any arrears on any account/s of that person.

15.6 All credit amounts will firstly be allocated as per above.

15.7 The amounts collected for rates clearance are calculated monthly, therefore it is the responsibility of the transferring attorneys to do the prorata into days, to align the amounts with registration date.

16 CREDIT REFUNDS

16.1 All payments will be allocated to the registered seller's municipal account.

16.2 All refunds will be made according to the conveyancer's instruction.

16.3 Refunds will only be issued on written request or an application for refund by the

conveyancer.

16.4 For cost benefit purposes only refunds above an amount of R50.00 will be refunded as per the above criteria.

17 PHASING IN OF RATES

17.1 The property rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

17.2 The phasing–in discount on the properties referred to in section 21 shall be as follows: -

(a) First year : 75% of the relevant rate;

(b) Second year : 50% of the relevant rate; and

(c) Third year : 25% of the relevant rate.

17.3 No property rates on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, shall be payable during the first year. The phasing-in discount on these properties shall be as indicated below:

(a) First year : 100% of the relevant rate;

(b) Second year : 75% of the relevant rate;

(c) Third year : 50% of the relevant rate; and

(d) Fourth year : 25% of the relevant rate.

18 SPECIAL RATING AREAS

18.1 The municipality will, whenever deemed necessary, by means of a formal Council resolution determine special rating areas in consultation with the relevant communities as provided for in section 22 of the Act.

18.2 The following matters shall be attended to in consultation with the committee referred to in paragraph 19.3 whenever special rating is being considered:

(a) Prosed boundaries of the special rating area;

(b) Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;

(c) Proposed improvements clearly indicating the estimated costs of each individual improvement;

(d) Proposed financing of the improvements or projects;

(e) Priority of projects if more than one;

(f) Social economic factors of the relevant community;

(g) Different categories or sub-categories of property;

(h) The amount of the proposed special rating;

(i) Details regarding the implementation of the special rating; and

(j) The additional income that will be generated by means of this special rating.

18.3 A committee consisting of the community residing within the area affected will be established to advise and consult the Municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.

18.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Chief Financial Officer. A majority shall be regarded as 50% plus one of the households affected. Each relevant household within the special rating area, i.e. every receiver of a monthly municipal account, will have 1 vote only.

18.5 In determining the special additional rates, the Municipality shall differentiate between different categories as referred to in paragraph 6 of this policy.

18.6 The additional property rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.

18.7 The Municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

19 FREQUENCY OF VALUATION

19.1 The Municipality shall prepare a new valuation roll at least every 4 (four) years.

19.2 In accordance with the Act the Municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.

19.3 Supplementary valuations may be done on a continual basis but at least published once an annual basis in terms section 78 of the Municipal Property Rates Act 6 of 20014 as amended by Act 29 of 2014.

19.4 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the new owner will be held responsible from the date of registration.

20 OBJECTION AND APPEALS

20.1 Any person may lodge an objection to a valuation subject to Section 50 of the MPRA but within the period stated in the notice referred to in Section 49(1)(a) of the MPRA.

20.2 An appeal to an appeal board against a decision of a municipal valuer in terms of section 51 of the MPRA may be lodged in the prescribed manner subject to Section 54 of the MPRA. The appeal must be lodged (as a guideline), within a period of 30 days nonetheless, as set out in Section 54(2) of the MPRA.

20.3 The administrative actions or processes as described in the MPRA for the handling of objections or appeals will be the basis that the Municipality will follow.21.3.1 The lodging of an objection or appeal:

(a) In terms of Section 50 of the MPRA does not defer liability for the payment of rates in terms of this Policy; or

(b) In terms of Section 54 of the MPRA does not defer liability for the payment of rates in terms of this Policy.

21 COMMUNITY PARTICIPATION

21.1 Before the Municipality adopts the property rates policy, the Municipal Manager will follow the process of community participation as envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:

(a) Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will, if needed, provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities;

(b) Conspicuously display the draft property rates policy for a period of at least 30 days at the Municipality's head and satellite offices, libraries and on the website;

(c) Advertise in the media a notice stating that the draft property rates policy has been prepared for submission to Council and that such policy is available at the various municipal offices and on the website for public inspection;

(d) Property owners and interest persons may obtain a copy of the draft property rates policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the Municipality within the specified period in the notice;

(e) Council will consider all comments and / or representations received when considering the finalisation of the property rates policy; and

(f) The municipality will communicate the outcomes of the consultation process in accordance with section 17(2)(e) of the Municipal Systems Act, No 32 of 2000.

22 REGISTER OF PROPERTIES

22.1 The Municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the Municipality. The register will be divided into Part A and Part B.

22.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

22.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:

(a) Exemption from rates in terms of section 15 of the Act;

(b) Rebate or reduction in terms of section 15 of the Act;

(c) Phasing-in of rates in terms of section 21 of the Act; and

(d) Exclusions as referred to in section 17 of the Act.

22.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the Municipality.

22.5 The Municipality will update Part A of the register during the supplementary valuation process.

22.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

23 BY-LAWS TO GIVE EFFECT TO THE PROPERTY RATES POLICY

23.1 The municipality will adopt a Property Rates By-law to give effect to the implementation of the Property Rates Policy and such By-law may differentiate between different

categories of properties and different categories of owners of properties liable for the payment of property rates.

24 REGULAR REVIEW PROCESSES

24.1 The property rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and current legislation.

25 SHORT TITLE

25.1 This policy is the Property Rates Policy of the Mogalakwena Local Municipality.

ANNEXURE K

Writing-off of Irrecoverable Debt Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1. INTRODUCTION

1.1 To ensure that **Mogalakwena Local Municipal** consumers with no or little income are not denied reasonable basic services and that the municipality is not financially burdened with non-payment of these basic services, the Council of Mogalakwena Local Municipality approved policies on property rates, tariffs, customer care, credit control, debt collection and indigent support to be implemented.

1.2 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible writing-off of irrecoverable debt.

1.3 The **Municipal Manager** must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000), such as –

1.3.1 The insolvency of a debtor whose estate has insufficient funds;

1.3.2 A balance being too small to recover, for economic reasons, considering the cost of recovery; and

1.3.3 Where Council deems that a customer or group of customers are unable to pay for services rendered.

1.4 The municipality will have to maintain audit trails in such instances where bad debt is written-off and document the reasons for the abandonment of the actions or claims in respect of the bad debt.

2. PURPOSE OF THE POLICY

2.1 The purpose of this policy is to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt.

3. RESPONSIBILITY AND ACCOUNTABILITY

3.1 The Council has the overall responsibility and accountability for adopting and approving the Writing-Off of Irrecoverable Debt Policy.

4. POLICY PRINCIPLES

4.1 The following are the guiding principles for the implementing of the Writing-Off of Irrecoverable Debt Policy –

4.1.1 The policy will comply with the Local Government: Municipal Finance Management Act (No 56 of 2003), the Local Government: Municipal System Act (No 32 of 2000) and other related legislation.

4.1.2 Before any debt is written-off it must be proved that the debt has become irrecoverable. To ensure that recommendations for the writing-off of debt are consistent and accurate; irrecoverable debt will be defined as :

(a) Where the tracing of the debtors is unsuccessful;
(b) All reasonable steps, in terms of the Customer care, Credit Control and Debt Collection Policy, were taken by the administration to recover the debt; and
(c) Any debt defined by a committee of Council at their discretion as irrecoverable.
(d) Where debt has prescribed in terms of the Prescription Act, No.68 of 1969.

4.1.3 Bad debt to be written-off must be considered in terms of cost benefit.

4.1.4 Therefore, when it becomes too costly to recover and the chances of collecting the debt are very slim, a write-off should be considered.

4.1.5 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.

4.1.6 Differentiation must be made between those household consumers who cannot afford to pay for basic services (indigent households) and those who just do not want to pay for basic services.

4.1.7 Debt can only be written-off if the required provision for bad debts exists in the municipality's budget and/or reserves.

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR INCENTIVES AND WRITING-OFF OF IRRECOVERABLE DEBT

5.1

Category of Debtor	**Percentage of debt regarded as collectable**	**Percentage of debt provided for as irrecoverable**
Credit balances	Zero	Zero
Current account	100%	Zero
Debt owing between 30 to 60 days	50%	50%
Debt in excess of 60 days	Zero	100%

Category of Debtor	Percentage of debt regarded as collectable	Percentage of debt provided for as irrecoverable
Approved indigents	Zero	100%
Pending indigents	Zero	100%
Hand over accounts to panel of debt collectors, legal hand over, clearance hand over (debt outside of Section 118(1)(b) of the Municipal Systems Act	Zero	100%
Government/ public infrastructure accounts	100%	Zero
Housing rental debtors • Current debt • Debt ageing 30 days+	100% Zero	Zero 100%

5.2 Indigent household consumers

5.2.1 Upon approval for registration as an indigent household consumer, 50 % of the debtor's outstanding balance as at the date of approval will be written-off.

5.2.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written-off and must be dealt with strictly in accordance with the municipality's Customer care, Credit control and debt Collection Policy. Therefore, these arrears can only accumulate for –

(a) The kWh units of electricity consumed or to be consumed above the 85 (Category A and B) or 50 (Category C and D) units of free electricity per month and the applicable basic charges for an indigent household who has an installed conventional or pre-paid electricity meter;

(b) The kilolitres of water consumed or to be consumed above the 10 kilolitres of free water per month by an indigent household who has an installed conventional and pre-paid water meter; and

(c) Excess rates payable on the rated value of a residential property that are not exempted from paying property rates and that does not qualify for a 100% indigent subsidy in terms of Council's property rates policy.

(d) The sanitation and refuse charges not subsidized in terms of the indigent policy.

5.3 Small balances

5.3.1 Where final accounts have been submitted and paid by the respective consumer, and

the remaining balance after finalisation of any final readings, other administrative costs and consumer deposits taken into consideration results in a balance of one thousand rand (R 1,000) or less, or the amount determined by Council from time to time during the budget approval process, such amount must be written-off with the proviso that:

(a) When the balance amounts to R 300 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer for payment;
(b) When the balance amounts to R 600 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder for payment;
(c) When the balance amounts to R 1,000 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment.

5.3.2 Where such account is not paid by the respective consumer within a period of ninety (90) days, such amounts will automatically be written-off subject to the provisions of paragraph 6.4 below.

5.4 Insolvent, and financially distressed debtors and insolvent deceased estates

5.4.1 Where a debtor becomes insolvent the municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5, 6.4 and 6.5 below.

5.4.2 In case of the death of a debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5,
6.4 and 6.5 below.

5.4.3 Where a company has initiated a compromise or a renegotiation process in terms of section 155 of the Companies Act, No. 71 of 2008, any shortfall resulting from this process may be written- off in terms of paragraph 6.4 of the Policy.

5.5 Untraceable debtors

5.5.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such an account must be handed over to a collection agent for recovery of the debt (paragraph 5.2 cases excluded). The collection agent will be paid an all- inclusive fee of not more than 10% of the amount that was collected. The terms of reference for such a collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the municipality on the actions that were taken to attempt to trace the debtor.

5.5.2 Any amount owed by a debtor that has become untraceable may be sold to a debt collection agent at a discount, before it is written-off.

5.5.3 Debt written-off in terms of paragraph 5.4.2 above will automatically result in the debtor being reported to a credit bureau by the municipality.

5.6 Clearance certificates

5.6.1 In terms of section 118 of the Local Government: Municipal Systems Act, Mogalakwena Local Municipality may not issue a clearance certificate on any property unless all outstanding amounts that became due during the two years preceding the date of application are paid to date. Outstanding debt accumulated prior to the section 118 period will be treated in terms of the Customer care, Credit Control and Debt Collection Policy where after all avenues in terms of the policy have been exhausted, this debt may be written-off in terms if paragraph 6.1, 6.2 and 6.3 of this policy.

5.7 Special incentives for household consumers

5.7.1 Notwithstanding the municipality's Customer care, credit control and debt collection policy, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments as determined per arrangement;
(b) The current monthly amount must be paid in full; and
(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.7.2 In order to determine monthly instalments; a declaration of the households monthly / or yearly income must be provided by the debtor and reviewed by a finance official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (amount to be capped not to exceed 20% of gross income), taking into account that the payment of the monthly current account is a prerequisite for concluding a suitable arrangement.

5.7.3 Due the current economic circumstances; the majority of household consumers have accumulated significant arrear amounts and these consumers are not in a position to pay off these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the municipality has resolved to implement special incentives to address the arrear debt as from the effective date of the implementation of this policy.

5.7.4 To encourage household consumers to pay off arrear debt, Council will enter into a once-off arrangement with a household consumer to pay off his/her arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address affordable arrear payments on a consistent basis.

5.7.5 Writing-off any irrecoverable debt in terms of such an agreement will be strictly in accordance with a maximum repayment period of 36 months and the capped limitation of 20% of gross income referred to in paragraph 5.6.2 above.

5.7.6 Two suspended accounts may be created; one for the arrear debt to be paid of through arrangements and another one for the irrecoverable debt portion to be written-off. Levying of interest on suspended accounts will immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts

as continued payments will reflect a decrease on the suspended account balances.

5.7.7 As long as the agreement is honoured no further interest will be added to the suspended account/s. However, in the case of continuous default for a period of six months or more the suspended amount/s will be reversed to the monthly current account and interest will again be levied on the full outstanding debt from the date of reversal.

5.7.8 Should a household consumer have more than one account (suspended and handed over debt) and wants to make an arrangement in terms of this policy; the household consumer's debt will be consolidated and a single arrangement be made with the municipality. Handed over accounts will be withdrawn from collection agents (attorneys) and arrangements made with the municipality on the household's consumer debt will be managed by the municipality itself.

5.7.9 Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount/s, taking the limitations of paragraph 5.6.2 into consideration. Such arrangements (over a three-year period), must be honoured for at least a year where after one third of the irrecoverable debt will be written-off. If the arrangements are honoured for year two as well, another one third of the irrecoverable debt will be written-off. The same will apply for year three where after the household consumer should be out of his spiral of municipal debt.

5.7.10 When a debtor who does not want to make arrangements for the repayment of his/her arrear debt as set out in paragraph 5.6.2 above wants to pay 50% on their arrear debt through a once-off payment, the remaining 50% on their arrear debt will be written-off immediately.

5.7.11 Irrecoverable amounts to be written-off in terms of paragraph 5.6 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.8 <u>Special incentives for churches, welfare organisations, sporting bodies, emerging farmers, etcetera</u>

5.8.1 Notwithstanding the municipality's Customer care, Credit control and Debt collection Policy, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
(b) The current monthly amount must be paid in full; and
(c) The written agreement has to be signed on behalf of the municipality by a duly authorised officer.

5.8.2 In order to improve the current payment levels from this category of consumers the municipality has resolved to implement special incentives to address the arrear debt.

5.8.3 To encourage this category of consumers to pay off arrear debt, Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.8.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 12 months.

5.8.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.8.6 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of reversal.

5.8.7 When a debtor in this category of consumers who does not want to make arrangements for the repayment of their arrear debt as set out in paragraph 5.7.4 above pays 50% on their arrear debt through a once-off payment, the remaining 50% on the arrear debt will be written-off immediately.

5.8.8 Where debtors fail to honour their arrangements without prior consultation, the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.8.9 Any amount to be written-off in terms of paragraph 5.7 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.9 Special incentives for businesses, industrial and agricultural consumers

5.9.1 Notwithstanding the municipality's customer care, credit control, debt collection and indigent support policies, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
(b) The current monthly amount must be paid in full; and
(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.9.2 In order to improve the current payment levels from this category of consumers the Municipality has resolved to implement special incentives to address the arrear debt.

5.9.3 To encourage this category of consumers to pay off arrear debt Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.9.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 6 months.

5.9.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.9.6 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of default.

5.9.7 When a debtor in this category of consumers who does not want to make arrangements for the repayment of their arrear account as set out in paragraph 5.8.4 above pays 50% on their arrear debt through a once-off payment, the remaining 50% on their arrear debt will be written-off immediately.

5.9.8 Where debtors fail to honour their arrangements without prior consultation, the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.9.9 Any amount to be written-off in terms of paragraph 5.8 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.10 Special incentives for government departments and schools

5.10.1 Any incentive arrangement and amount to be written-off for this category of consumers will be reviewed by a committee of Council who will make a recommendation to the Mayoral Committee for consideration.

5.10.2 The Mayor will have the discretion and the delegated powers to resolve on any amount to be written-off notwithstanding the recommendation of the committee of Council.

5.11 Irrecoverable debt not catered for in the policy

5.11.1 Should there be any irrecoverable debt cases that the administration and the committee of Council cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the committee of Council who will make a recommendation to the Mayor and Mayoral Committee for consideration.

5.11.2 The Mayoral Committee will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

5.11.3 Should there be any irrecoverable debt cases that the Mayoral Committee cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the Mayoral Committee who will make a recommendation to Council for consideration.

5.11.4 Council will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the Mayoral Committee.

6. DELEGATIONS

6.1 Chief Financial Officer

6.1.1 The Chief Financial Officer will, after thorough review of any applications in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 10,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.2 Municipal Manager

6.2.1 Any amount in excess of the delegation provided for in paragraph 6.1.1 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.3 Committee of Council

6.3.1 Council has established a Finance Portfolio Committee in terms of section 80 of the Local Government: Municipal Structures Act (No 117 of 1998) to assist the Mayoral Committee. It is hereby determined that the Finance Portfolio Committee will be the committee of Council to monitor the implementation of this policy.

6.3.2 Any amount in excess of the delegation provided for in paragraph 6.2.1 above must be submitted together with a recommendation to the Finance Portfolio Committee for consideration. The Finance Portfolio Committee will, after thorough review of any recommendation by the Chief Financial Officer and Municipal Manager in terms of this policy, have the delegated powers to write- off any irrecoverable debt in excess of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.4 Mayoral Committee

6.4.1 All amounts to be written-off in terms of paragraph 5.9 and 5.10.1 above must be considered individually and each case on its own merits must be separately reported to the committee of Council who will make a recommendation to the Mayoral Committee.

6.4.2 The Mayoral Committee will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

6.5 Council

6.5.1 All amounts to be written-off in terms of paragraph 5.10.3 above must be considered individually and each case on its own merits must be separately reported to the Mayoral

Committee who will make a recommendation to Council.

6.5.2 Council will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the Mayoral Committee.

7. REPORTING AND DISCLOSURE

7.1 The Chief Financial Officer will report on a monthly basis to Council on the irrecoverable debt amounts written-off. The report will include the following information:

(a) A summary of all debt written-off in terms of paragraph 6 of this policy (included as Annexure A in the report).
(b) The total amount of irrecoverable debt approved by the Chief Financial Officer to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure B to the report);
(c) The total amount of irrecoverable debt approved by the Municipal Manager to be written-off (a list of names, addresses and amounts per consumer written- off included as Annexure C to the report)
(d) The total amount of irrecoverable debt approved by the Finance Portfolio Committee to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure D to the report); and
(e) The total amount of irrecoverable debt written-off for indigent household consumers by the Mayoral Committee (a list of names, addresses and amounts per consumer written-off included as Annexure E to the report);
(f) The total amount of irrecoverable debt approved by the Mayoral Committee to be written-off in terms of paragraph 5.9 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure F to the report).
(g) The total amount of irrecoverable debt approved by the Mayoral Committee to be written-off in terms of paragraph 5.10 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure G to the report).
(h) The total amount of irrecoverable debt approved by Council to be written-off in terms of paragraph 5.11 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure H to the report).

7.2 The Chief Financial Officer will disclose the total amount of irrecoverable debt written-off as a note in the annual financial statements of the municipality.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 This policy shall be implemented once approved by Council. All future submissions for the writing-off of debt must be considered in accordance with this policy.

8.2 The policy will be reviewed each year as part of the budget approval process.

ANNEXURE A: APPLICATION FORM FOR A HOUSEHOLD TO CONSOLIDATE OUTSTANDING DEBT AND TO MAKE ARRANGEMENTS TO PAY OF OUTSTANDING DEBT IN TERMS OF THE WRITING-OFF OF IRRECOVERABLE DEBT POLICY	
Particulars of breadwinner	
Name and surname	
ID Number	
Phone/cellular number/s	
Marital status	
Employer / source of income	
Monthly gross income	
Particular of spouse (husband or wife)	
Name and surname	
ID Number	
Phone/cellular number/s	
Marital status	
Employer / source of income	
Monthly gross income	
Particulars of property	
Stand number of property	
Street address	
Declaration under oath	
I/we the undersigned herewith declare under oath that my/our gross monthly income amounts to R _____(breadwinner R_____and spouse R _____) as the attached copies of my/our source/s of income (payslip, pension slip, etcetera) confirm.	

Signature: Breadwinner		**Signature: Spouse**	
The above statement was read by me to the above declarer/s who under oath declared that his/her/their gross income is as confirmed by the attached copies to the application form.			
Place		Date	
Name			
Designation			
Signature and official stamp			

ARRANGEMENTS CALCULATION FORM FOR HOUSEHOLD CONSUMERS			
Calculation of 20% of gross income and affordable instalment on arrears			
Breadwinner gross monthly income (for season workers calculate a monthly average)			**R**
Spouse gross monthly income (for season workers calculate a monthly average)			**R**
Household gross monthly income (copies of ID's and income sources must be attached)			**R**
Affordable payments - capped at 20% of household gross income			**R**
Less: Average monthly current account (property rates, services charges and prepaid electricity			**R**
Affordable monthly instalment on arrears – monthly current account excluded			**R**
Calculation of consolidated outstanding debt			
Account No:	**Current / Suspended / Handed over**		**R**
Account No:	**Current / Suspended / Handed over**		**R**
Account No:	**Current / Suspended / Handed over**		**R**
Account No:	**Current / Suspended / Handed over**		**R**
Account No:	**Current / Suspended / Handed over**		**R**
Account No:	**Current / Suspended / Handed over**		**R**
Account No:	**Current / Suspended / Handed over**		**R**
Grand Total =			**R**
Calculation of suspended account/s			
Grant total of consolidated outstanding debt			**R**
Less: Affordable monthly instalment on arrears x 36 months (suspended account 1)			**R**
Amount to be written-off in terms of Policy (suspended account 2)			**R**
Calculation of amounts to written-off			
Date:	**1/3rd. of suspended account to be written-off after 12 months**		**R**
Date:	**1/3rd. of suspended account to be written-off after 24 months**		**R**
Date:	**1/3rd. of suspended account to be written-off after 36 months**		**R**
Suspended account 2 total to be written-off (if no default in paying current account and			**R**
Certification			
Calculations made by:		**Signature:**	**Date:**
Calculations verified by:		**Signature:**	**Date:**
The above calculations must be recorded in an arrangement agreement and in the financial system for audit			

ANNEXURE B: APPLICATION FORM FOR A CUSTOMER TO PAY 50% OF THE OUTSTANDING DEBT AND THAT COUNCIL WILL WRITE-OFF THE OTHER 50% OF THE OUTSTANDING DEBT IN TERMS OF THE WRITING-OFF OF IRRECOVERABLE DEBT POLICY	
Particulars of breadwinner	
Name and surname	
ID Number	
Phone/cellular number/s	
Particular of spouse (husband or wife)	
Name and surname	
ID Number	
Phone/cellular number/s	
Particulars of business / company / organisation	
Name	
Postal address	
Phone/cellular number/s	
Particulars of property	
Stand number of property	
Street address	
Certification	
I/we the undersigned herewith declare that the information on this application form is to the best of my knowledge the truth.	

Signature: Breadwinner		**Date:**	
Signature: Spouse		**Date:**	
Signature: Business / Company / Organisation Representative/s		**Date:**	

CALCULATION FORM TO PAY 50% OF OUTSTANDING DEBT AS ON THE DAY BEFORE THE JUNE 2024 BILLING RUN SO THAT COUNCIL CAN WRITE-OFF THE OTHER 50% PORTION OF OUTSTANDING DEBT

Calculation of consolidated outstanding debt		
Account No:	**Current / Suspended / Handed over**	**R**
Account No:	**Current / Suspended / Handed over**	**R**
Account No:	**Current / Suspended / Handed over**	**R**
Account No:	**Current / Suspended / Handed over**	**R**
Grand Total =		**R**
50% of Grand Total =		**R**

Proof that levies as from the June 2024 billing run is paid up to date	
Outstanding debt as on the day before the June 2024 billing run	**R**
Plus: Levies as from the June 2024 billing run	**R**
Less: Payments made after the June 2024 billing run	**R**
Plus / Minus: Journals corrections since the June 2024 billing run	**R**
Outstanding debt (closing balance) as on the day of this calculations being made	**R**

NB:

1. ***Please note that if the outstanding debt (closing balance) is more than the outstanding debt as on the day before the June 2024 billing run then current debt is not serviced as per this policy. Write-off of the 50% portion may only be made if all levies made as from the June 2024 billing run has been serviced.***
2. ***Please attach to the calculation form a printout/s of the Solar system as proof of the above calculations made. If necessary, please attached a spread sheet or your handwritten calculations on how you arrived at the***

Proof that the 50% of the grand total has been paid					
Date:		**Receipt Number:**		**Amount:**	**R**
Date:		**Receipt Number:**		**Amount:**	**R**
Date:		**Receipt Number:**		**Amount:**	**R**
50% of Grand Total =					**R**

Calculation of amount to be written-off	
50% of Grand Total =	**R**

Certification			
Calculations made by:		**Signature:**	**Date:**
Calculations verified by:		**Signature:**	**Date:**

ANNEXURE L

Grant in Aid Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Community Services Portfolio Committee		
Municipal Manager		
Council		

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1. AIMS AND OBJECTIVES

1.1 This policy aims to provide a framework for Grant-in-Aid to non-governmental organisations (NGOs), community-based organisations (CBOs), non-profit organisations (NPOs) and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable, as envisaged by Sections 12 and 67 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.2 The purpose of the Grant-in-Aid Policy is to complement the goals, objectives, and actions of the Mogalakwena Local Municipality in order to create a sustainable, credible and caring town through the empowerment of communities:

1.2.1 Grant-in-Aid is intended to support community-based and external organisations, which deliver essential services to communities that fall within the municipal area. It allows the municipality to create an enabling environment for community development; and

1.2.2 This policy is aligned to and subject to the terms and conditions contained in sections 5 and 6 (except for 6.3.) of the Donations Policy of the Mogalakwena Local Municipality.

2. LEGAL FRAMEWORK

2.1 All transfers of funds in terms of this policy shall comply with the:

2.1.1 Constitution of the Republic of South Africa, 1996 as amended (Constitution).

2.1.2 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended (MSA).

2.1.3 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA).

2.1.4 Any other applicable legislation, regulations and policies that may govern the transfer of municipal funds.

3. RESTRICTIONS

3.1 The Policy applies to all transfers of grants made by the Municipality.

3.2 The total expenditure on grants may not exceed **1%** of the operational budget of the Municipality.

3.3 No transfer may be made which exceeds **R 10 000-00** per organisation, except for:

3.3 No transfer may be made which exceeds R30 000-00 per organization, except for:

3.3.1 Allocations to organisations, which receive annual grants as per the approved annual budget of Council.

3.3.2 Allocations to organisations as approved by the Mayor in excess of **R10 000.**

3.3.2 Allocations to organisations as approved by the Mayor in excess of R30 000.

3.4 Grant-in-Aid transfers/payments shall be restricted to deserving organisations serving, especially those working with the **poor/aged/youth/disabled/women,** as per the eligible categories in 5.2, provided that such organisations or bodies:

3.4.1 Operate as a separate legal entity and are recognised as such by South African legislation.

3.4.2 Are governed by their constitutions, have regular meetings with their membership and subscribe to sound accounting practices.

3.4.3 Are located and serve communities and individuals who are most in need within the jurisdiction of the Municipality.

3.5 No Grant-in-Aid may be made to any political, church or sectarian organisation or body.

3.6 No grants will be allocated, under this policy, to organisations or bodies in cases where a member of Council or an official of Mogalakwena Local Municipality receives any financial or other gain from it.

3.7 Individuals may not apply for Grant-in-Aid and no payments may be made to individuals under this policy. Council may however set aside a specific amount from which the Municipal Manager, after consultation with the Mayor, may, at his/her discretion, make donations to support individual, meritorious cases in order to assist and/or recognise individual excellence in whichever field. Bursaries to individuals are treated according to the Council's Bursary Policy.

3.8 Funds may only be transferred to an organisation or body if provision has been made for

the expenditure on the budget or appropriations budget.

3.9 An organisation is only entitled to one allocation per financial year, but disbursements can be made more often.

4. PUBLIC ADVERTISEMENT

4.1 The Municipal Manager must place a first public advert calling for proposals in the main local newspapers within three months after the approval of the annual budget.

4.2 Advertisements should clearly specify the categories for which proposals are called, the closing date for applications, who they should be addressed to, and where and how to obtain the relevant documentation pertaining to such applications. Only applications made on the prescribed forms will be considered. Advertisements should also clearly reflect the Municipality's right not to make an award, as well as the fact that awards will generally not be made to organisations that have received funds in the previous year and those who have not submitted a final financial report on projects or previous expenditure.

4.3 Funds may not be transferred to any organisation or body that has not submitted a proposal in response to a public advertisement.

5. GENERAL GUIDELINES AND CATEGORIES

5.1 General Guidelines

5.1.1 Funding of applications will primarily be considered on an annual basis in response to the annual advertisement.

5.1.2 Funding will not be considered in the following instances:

(a) Where a project or organisation is already receiving funds from Council in terms of Council's functions. Applicants are required to disclose other sources of funding;

(b) Where in Council's opinion, an organisation receives sufficient funds from other sources to sustain its activities or the project, which is applied. For this purpose, organisations must submit financial statements and a budget for the ensuing financial year;

(c) Where only an individual will benefit;

(d) Where political or ratepayers' organisations/groupings will benefit,

(e) Projects outside the boundaries of the Municipality; and

(f) Where expenses have already been incurred.

5.1.3 Funding of projects and to organisations shall exclude travel costs, subsistence, accommodation, food or entertainment expenses of any kind, staff salaries, bursaries, payments in lieu of rates or other municipal charges, which are in arrears.

5.1.4 Notwithstanding any provisions of this Policy, the Municipal Manager and Mayor can make recommendations on the granting of funds.

5.1.5 Subsequent requests from applicants to cover overspending on projects will not be considered.

5.2 Categories Eligible for Grant-in-Aid

The following categories currently apply. Cognisance should be taken that these categories are not exhaustive and may be amended from time to time. Other than, the general guidelines and conditions set out above, categories now indicated may require specific criteria applicable to its projects/programmes:

5.2.1 Health

Projects/programmes include the following but are not limited to:

(a) Public Health interventions inclusive of TB, STDs and HIV/Aids;
(b) Preventable lifestyle diseases e.g. drug/alcohol abuse, tobacco related illnesses; and
(c) Promotion and preventative services to infants, children and women.

5.2.2 Environment

Purpose: To stimulate the development of sustainable leisure, aesthetic and environmental projects within the municipal area; to increase the awareness of the environment by promoting “Greening of the Town”; to promote swimming skills and water safety.

Projects/programmes include the following but are not limited to:

(a) Voluntary rescue organisations;
(b) Recreational organisations;
(c) Environmental groups/organisations;

(d) Organisations promoting community involvement as a means of sustaining leisure, aesthetic or environmental projects; and

(e) Projects, which further the Council's aims and the strategies of IMEP

(Integrated Municipal Environmental Policy) and including but not limited to the sustainable management of:

- Riverine corridors;
- Biodiversity;
- Natural and built environment;
- Heritage resources;
- Quality urban spaces;
- Ecological conservation areas;
- Urban agricultural complexes;
- Bioregional planning;
- Nature area management;
- Wetlands;
- Local Agenda 21 projects; (UN Plan for Sustainable Development); and
- Animal Welfare organisations.

5.2.3 Solid Waste (Cleansing)

Purpose: Waste Reduction and awareness.

Projects/programmes include the following but are not limited to:

(a) Waste reduction and awareness;

(b) Educational programmes/projects addressing litter and waste handling; and

(c) Waste minimisation solutions.

5.2.4 Social Development

Purpose: The promotion of projects/programmes, which stimulates the Mogalakwena Local Municipality's Integrated Development Plan (IDP) focusing especially on the needs of the most marginalised sectors in the municipal area.

Projects/programmes include the following but are not limited to:

(a) Poverty alleviation;
(b) Children;
(c) Community Development;
(d) Youth development;
(e) Women and gender development;
(f) Early childhood development;
(g) Street people programmes;
(h) Elderly and Disabled persons; and
(i) Arts and culture programmes.

5.2.5 Sports and Recreation

Purpose: To stimulate the development of sustainable Sport and Recreation infrastructure and programmes within the municipal area especially targeting disadvantaged communities; encourage creativity and self-reliance on the part of grassroots sport and recreation bodies or groups; to increase participation in sport and recreation programmes and activities.

Projects/programmes include the following but are not limited to:

(a) Local sport and recreation clubs;
(b) Schools' sports teams or athletes Provincial and National;
(c) Local sport and recreation councils or associations;
(d) Informal sport and recreation groups; and
(e) Civic, community and non-governmental organisations.

6. APPLICATION PROCEDURE

Applications and proposal for Grant-in-Aid must be on the prescribed form available from the municipality. Applications must be accompanied by a covering letter on the letterhead of the organisation or body, signed by the head of the organisation or body and must include the following information:

6.1 The applicant's legal name and a brief description of the applicant's business.

6.2 Non-profit organisations must provide its registration number.

6.3 The date of establishment, details of the applicant's members,

founding

documents, including constitution and certificates of incorporation.

6.4 A contact name, full street address, telephone number and e-mail address.

6.5 If funding is required for a specific project, a brief description of the project and what it aims to achieve, as well as the detailed budget for and duration of the project.

6.6 If the request is for general support, the organisations or body's overall budget must be included.

6.7 A summary of achievements.

6.8 A declaration by the head of the applicant to the satisfaction of the Municipal Manager, that the organisation implements effective, efficient and transparent financial management and internal control mechanisms to guard against fraud, theft and financial mismanagement and has in the past complied with requirements for similar transfers of funds.

6.9 Applications for Grants in Aid must be made on the application forms approved by the Chief Financial Officer (CFO) and be accompanied by all the required documentation such as Registration Certificates, Project Proposals, Business Plans, Annual Financial Statements or Management Accounts, latest municipal account and banking particulars.

6.10 Funding of applications will primarily be considered on an annual basis in response to annual advertisements placed by the Community Development Section.

6.11 Applications are submitted to the Community Development Section to make a first screening based on the criteria as set out in this policy.

7. OBLIGATIONS OF THE APPLICANT

7.1 The head of the organisation must confirm with the Municipal Manager that the money was received in its bank account and that the amount is/will be utilised to the benefit and in accordance with the role of the organisation in society. The funds should be used as outlined in the application form.

7.2 The organisation shall regularly report, if and when required but at least once a year, to the Municipal Manager regarding the activities conducted, the ward within which

activities are conducted, as well as the number of people benefiting from the activities.

7.3 If funding is required for a specific project, a brief description of the project and what it aims to achieve, as well as the detailed budget for and duration of the project must be submitted as part of the application.

8. RIGHTS OF THE MUNICIPALITY

8.1 The Municipality shall be entitled, from time-to-time, to verify and inspect the existence and activities of the organisation. The municipality will therefore have the right to physically visit the premises where the organisation, or the funded project, is based; to peruse the budgets and any progress reports related to the project (in contract).

8.2 The Municipality shall manage contracts entered into with organisations by receiving reports and doing the necessary site visits and inspections to ensure that this policy and contract are being complied with.

8.3 The Municipality has the right not to give a Grant-in-Aid to any or all organisations applying for grants. Having been awarded a grant previously does not give an applicant the right to receive a grant again.

9. AGREEMENT

Before any funds are transferred to an organisation, an agreement must be concluded by the Municipal Manager with the beneficiary to protect the interest of the Municipality.

10. ADJUDICATION COMMITTEE

10.1 The Mayoral Committee will consider applications in terms of this policy. The Mayoral Committee has the discretion to assign a sub-committee or the portfolio committee to make recommendations to it.

10.2 All approved organisations should make a formal presentation in terms of this Policy to Mayor or to an assigned sub-committee or the Portfolio Committee that will serve as a pre-qualification criteria before final adjudication of donations.

11. COMMENCEMENT

This Policy takes effect on the date on which the Council of the Mogalakwena Local

Municipality adopts it.

ANNEXURE M

Cost Containment Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1. DEFINITIONS

1.1 In this Cost Containment Policy (Policy), a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and:

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

1.1.2 ***"catering"*** means the provisioning of a meal at sit-down and dine ***"proceedings of Council"*** (see definitions), but, excludes ***"refreshments"*** (see definitions) at ***"other gatherings of Council"*** (see definitions);

1.1.3 ***"consultant"*** means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist Mogalakwena Local Municipality to perform its functions to achieve the objects of local government in terms of Section 152 of the Constitution;

1.1.4 ***"Cost containment"*** means measures implemented to curtail spending in terms of the Cost Containment Regulations and this Policy;

1.1.5 ***"Credit card"*** means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder;

1.1.6 ***"Delegated official"*** means an official with delegated powers to perform duties assigned to the official by the Municipal Manager;

1.1.7 ***"Other gatherings of Council"*** means an assembly or meeting held for a specific purpose;

1.1.8 ***"Personal use"*** means items or goods that an official or political office bearer does not use for business purposes;

1.1.9 ***"Proceedings of Council"*** means an event with a series of activities involving a ***"set procedure of Council"*** (see definitions);

1.1.10 ***"Professional purposes"*** means, in the case of communication, the execution of required duties through informed decision making and/or recordkeeping;

1.1.11 ***"refreshments"*** means a light snack and/or drink at ***"other gatherings of Council"*** (see definitions);

1.1.12 ***"Regulations"*** means the Municipal Cost Containment Regulations, 2019;

1.1.13 ***"Set procedure of Council"*** means a predetermined approved agenda of an event with a series of activities;

1.1.14 ***"Social event"*** means an event with no series of activities involving a ***"set procedure of Council"*** (see definitions); and

1.1.15 ***"uniforms"*** means the required protective and/or branded clothing.

2. OBJECT OF POLICY

2.1 The object of this Policy, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act and the Cost Containment Regulations, is to ensure that resources of Mogalakwena Local Municipality are used effectively, efficiently and economically by implementing cost containment measures.

3. APPLICATION OF POLICY

3.1 This Policy applies to all officials and political office bearers in Mogalakwena Local Municipality.

4. USE OF CONSULTANTS

4.1 The Municipal Manager or delegated official may only appoint a consultant if an assessment of the needs and requirements confirms that the Municipality does not have the requisite skills or resources in its full-time employ to perform the function.

4.2 The Municipal Manager must adopt a fair and reasonable remuneration framework for consultants taking into account the rates:

4.2.1 Determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa", issued by the South African Institute of Chartered Accountants;

4.2.2 Set out in the "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration; or

4.2.3 As prescribed by the body regulating the profession of the consultant.

4.3 The rates tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in paragraph 4.2 above.

4.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.

4.5 When consultants are appointed, an accounting officer must:

4.5.1 Appoint consultants on a time and cost basis with specific start and end dates;

4.5.2 Where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;

4.5.3 Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;

4.5.4 Ensure the transfer of skills by consultants to the relevant officials of the Municipality;

4.5.5 Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the Municipality's Supply Chain Management Policy; and

4.5.6 Develop consultancy reduction plans to reduce the reliance on consultants.

4.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.

4.7 The Municipal Manager or delegated official must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

4.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

4.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

5. VEHICLES USED FOR POLITICAL OFFICE BEARERS

5.1 The threshold limit for the purchase of a vehicle for official use by the Mayor, will not exceed R700,000 or 70% (VAT inclusive) of the total annual remuneration package of the Mayor of Mogalakwena Local Municipality, 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.

5.2 The procurement of a vehicle for the Mayor must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

5.3 Before deciding to procure a vehicle for the Mayor, the Municipal Manager or delegated official must provide Council with information relating to the following criteria which must be considered:

5.3.1 Status of the current vehicle of the Mayor;

5.3.2 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 paragraph 5.1 above;

5.3.3 Extent of service delivery backlogs;

5.3.4 Terrain for effective usage of the vehicle; and

5.3.5 Any other policy of council.

5.4 If the rental referred to in paragraph 5.3.2 is preferred, the Municipal Manager must review the costs incurred regularly to ensure that value for money is obtained.

5.5 Regardless of the usage, a vehicle for official use by the Mayor may only be replaced after completion of 120,000 kilometres.

5.6 Notwithstanding paragraph 5.5 above, the Municipality may replace the vehicle for official use by the Mayor before the completion of 120,000 kilometres only in an instance 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.

5.7 The Municipal Manager must ensure that there is a policy (currently the Fleet Management and User Guide Policy) that addresses the use of municipal vehicles for official purposes.

6. TRAVEL AND SUBSISTENCE

6.1 The Municipal Manager in respect of all officials or political office bearers and the Mayor in respect of the Municipal Manager may only approve the purchase of economy class tickets for air travel.

6.2 This Policy limits international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events will be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

6.3 The Municipal Manager in the case of officials, the Mayor in the case of the Municipal Manager and councillors, and the Council in the case of the Mayor, will approve the officials or councillors who may attend the meetings or events referred to in paragraph 6.2 above.

6.4 The Municipal Manager, or the Mayor in the case of the Municipal Manager, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only:

6.4.1 During peak holiday periods; or

6.4.2 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.

6.5 An official or a political office bearer of Mogalakwena Local Municipality must:

6.5.1 Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;

6.5.2 Make use of available public transport or a shuttle service if the cost of such a service is lower than:

(a) The cost of hiring a vehicle;
(b) The cost of kilometres claimable by the official or political office bearer; and
(c) The cost of parking.

6.5.3 Not hire vehicles from a category higher than Group B or an equivalent class; and

6.5.4 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 Municipal Manager before hiring the vehicle.

6.6 Mogalakwena Local Municipality 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 flights and accommodation.

7. DOMESTIC ACCOMMODATION

7.1 The Municipal Manager 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.

7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

7.3 The Municipal Manager, or the Mayor in the case of the Municipal Manager, may approve overnight accommodation, where the return trip is less than 500 kilometres, if road or any other conditions could jeopardise the safety of officials and councillors, or if overnight accommodation is cheaper than the traveling expenses payable under the Travelling & Subsistence Policy of Council.

8. CREDIT CARDS

8.1 The Municipal Manager must ensure that no credit card or debit card linked to a bank account of Mogalakwena Local Municipality is issued to any official or political office bearer.

8.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the Municipality, and request reimbursement approved by the Municipal Manager or delegated official.

9. SPONSORSHIPS, EVENTS AND CATERING/REFRESHMENTS

9.1 Mogalakwena Local Municipality may not incur catering/refreshments expenses for meetings which are only attended by persons in the employ of the Municipality, unless the prior written approval of the Municipal Manager is obtained.

9.2 The Municipal Manager may incur catering/refreshments expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and

proceedings of Council that exceed five hours.

9.3 The Municipal Manager in consultation with the Mayor will compile and maintain a schedule of proceedings of Council (Annexure A attached to the Policy) to be approved by the Municipal Council.

9.4 The Municipal Manager in consultation with the Mayor will compile and maintain a schedule of other gatherings of Council (Annexure B attached to the Policy) to be approved by the Municipal Council.

9.5 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the Municipal Manager.

9.6 Mogalakwena Local Municipality may not incur expenses on alcoholic beverages unless the Municipality recovers the cost from the sale of such beverages.

9.7 The Municipal Manager must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the Municipality`s budget or by any suppliers or sponsors.

9.8 The Municipal Manager may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless costs related thereto are recovered from affected officials or is an integral part of the business model.

9.9 The Municipal Manager or delegated official may incur expenditure for refreshments to host farewell functions in recognition of officials who served the Municipality for more than 4 years or retire on grounds of ill health.

9.10 The Municipal Manager or delegated official may incur expenditure for refreshments when meeting with other spheres of government or stakeholders when the meeting is in excess of 2 hours.

10. COMMUNICATION

10.1 Mogalakwena Local Municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.

10.2 The Municipal Manager must ensure that allowances to officials for private calls and data costs are limited to the amounts as determined in Council`s Cellular Telephone Policy.

10.3 Newspapers and other related publications for the use of officials and full-time political office bearers must be discontinued on expiry of existing contracts or supply orders; unless, authorised by the Municipal Manager for officials and by the Mayor for full-time political office bearers that it is required for professional purposes, or where unavailable in electronic format.

10.4 Mogalakwena Local Municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

11. CONFERENCES, MEETINGS AND STUDY TOURS

11.1 The Municipal Manager must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.

11.2 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, the Municipal Manager or Mayor as the case may be, must take the following into account:

11.2.1 The official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;

11.2.2 Whether the conference or event addresses relevant concerns of Mogalakwena Local Municipality;

11.2.3 The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and

11.2.4 The availability of funds to meet expenses related to the conference or event.

11.3 The Municipal Manager may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

11.4 The benchmark costs referred to in paragraph 11.3 above, may not exceed an amount as determined from time to time by the National Treasury through a notice.

11.5 The amount referred to in paragraph 11.4 above excludes costs related to travel, accommodation and related expenses, but includes:

11.5.1 Conference or event registration expenses; and

11.5.2 Any other expense incurred in relation to the conference or event.

11.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.

11.7 The Municipal Manager must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.

11.8 Municipal or provincial office facilities must be utilised for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the Mogalakwena Local Municipality’s jurisdictional area.

11.9 The Municipal Manager must grant the approval for officials, and in the case of political office bearers and the Municipal Manager, the Mayor, as contemplated in paragraph 11.2 above.

11.10 Mogalakwena Local Municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

12. OTHER RELATED EXPENDITURE ITEMS

12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.

12.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.

12.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.

12.4 Mogalakwena Local Municipality must avoid expenditure on elaborate and expensive office furniture.

12.5 Mogalakwena Local Municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the Office of the Speaker.

12.6 Mogalakwena Local Municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager reporting directly to the Municipal Manager, for consideration and prior approval on a monthly basis. A motivation for all unplanned overtime (emergency overtime) must be submitted to the relevant manager reporting directly to the Municipal Manager, for approval. The directives of the approved Overtime Policy, must be adhered to except where in conflict of this Policy.

12.7 The Municipal Manager or where applicable the Mayor, must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

13.1 Failure to implement or comply with this Policy and the Regulations may result in any official or political office bearer of the Municipality that authorised or incurred any expenditure contrary to this Policy and the 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.

14. DISCLOSURES OF COST CONTAINMENT MEASURES

14.1 The disclosure of cost containment measures applied by the Municipality must be

included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.

14.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The Municipal Council can refer such reports to an appropriate Council Committee for further recommendations and actions.

14.3 The reports referred to in paragraph 14.2 above must be copied to the National Treasury and the Western Cape Provincial Treasury within seven calendar days after the report is submitted to Municipal Council.

15. DELEGATIONS REGISTER

15.1 The Municipal Manager or delegated official must compile and maintain a Delegations Register of all officials that powers are assigned to in terms of this Policy.

16. SHORT TITLE AND COMMENCEMENT

16.1 This Policy is called the Cost Containment Policy and take effect when approved or reviewed by the Municipal Council.

16.2 This Policy must be reviewed once every financial year together with all budget related policies.

17. ANNEXURES

17.1 Annexure A: Proceedings of Council qualifying for catering; and

17.2 Annexure B: Other gatherings of Council qualifying for refreshments.

Annexure A

Proceedings of Council qualifying for catering

Row Number	Name of the Proceeding	Stakeholders	Timing
Column Reference	A	B	C
1	Mayoral Budget Roadshows	Councillors, officials and members of the public	April
2	Women`s Day / Gender Day	Councillors and officials	August
3	Employee Excellence Awards	Councillors and officials	November
4	Mayoral Business Stakeholders Initiative	Councillors, officials and members of the public	Monthly
5	Mayoral Sport Awards	Councillors, officials and members of the public	Annually

Annexure B

Other Gatherings of Council qualifying for refreshments

Row Number	Name of the Gathering	Stakeholders	Timing
Column Reference	**A**	**B**	**C**
~~1~~	~~IDP and Budget Roadshows~~	~~Councillors, officials and members of the public~~	~~March/April & September/October~~
2	Annual School`s Poster Competition	Councillors, officials, learners and teachers	March
3	Employees Wellness Day	Councillors and officials	March/April
4	Housing Summit	Councillors, officials and members of the public	April / May
5	IDP Rep Forum	Councillors, officials and members of the public	May
6	World Fire Fighters Day	Councillors, officials and Fire Fighters	May
7	Community Engagement	Councillors, officials and members of the public	As and when needed
8	Youth Day	Councillors, officials and members of the public	June
9	Madiba Day	Councillor and officials	July
10	Sports Indaba	Councillors, officials and members of the public	July/August
11	Heritage Day	Councillors, officials and members of the public	September
12	Youth Indaba	Councillors, officials and members of the public	September
13	Breast Cancer Awareness	Councillors, officials and members of the public	October
14	16 Days of Activism	Councillors, officials and members of the public	November
15	Community Games	Officials, Councillors, members of the public and Learners	November/December
16	Long Service Awards	Strategic Management Team (SMT) and officials	Monthly
17	Sports Council	Councillors, officials and Sport Codes	Quarterly

ANNEXURE N

Funding and Reserve

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1. DEFINITIONS

1. In this policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and:

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

ii. ***"consultant"*** means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist Mogalakwena Local Municipality to perform its functions to achieve the objects of local government in terms of Section 152 of the Constitution;

iii. ***"delegated official"*** means an official with delegated powers to perform duties assigned to the official by the Municipal Manager;

iv. ***"other gatherings of Council"*** means an assembly or meeting held for a specific purpose;

v. ***"personal use"*** means items or goods that an official or political office bearer does not use for business purposes;

vi. ***"proceedings of Council"*** means an event with a series of activities involving a ***"set procedure of Council"*** (see definitions);

vii. ***"professional purposes"*** means, in the case of communication, the execution of required duties through informed decision making and/or recordkeeping;

viii. ***"refreshments"*** means a light snack and/or drink at ***"other gatherings of Council"*** (see definitions);

ix. ***"Regulations"*** means the Municipal Cost Containment Regulations, 2019;

"set procedure of Council" means a predetermined approved agenda of an event

2. PREAMBLE

The funding and reserves policy is aimed at ensuring 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. SCOPE OF POLICY

This policy shall apply to the Council and all officials who have formal, administrative duty to prepare, manage and control the expenditure and municipal budget

4. APPLICABLE LEGISLATIVE

- Local Government Municipal Finance Management Act, Act 56 of 2003; and
- Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.
- This policy is mandated by Section 8 of the Local Government: Municipal Budget and Reporting Regulations which is made in terms of section 168 of the Municipal Finance Management Act, 2003, (Act No. 56 of 2003).

5. OBJECTIVES

The objective of this policy is:
- To ensure that operating and capital budgets of MLM municipality are appropriately funded.
- To ensure that provisions and reserves are maintained at the required levels to avoid future year unfunded liabilities.

6. FUNDING OF ANNUAL BUDGET

6.1 An annual budget may only be funded from:

a) Cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose;

b) Borrowed funds but only for capital expenditure; and/or

c) Grant Funding.

d) Realistic anticipated revenue projections that take into consideration the following:

- Projected revenue for the current year based on collection levels to date.
- Actual revenue collected in previous financial years.

7. CAPITAL REPLACEMENT RESERVE (CRR)

7.1. Council shall establish a CRR for the purpose of financing capital projects that needs to be refurbished.

7.2 Such reserve shall be established from the following sources of revenue:
- Interest on the investments of the CRR, appropriated in terms of the investments policy.
- VAT refunds
- Prior year cash surpluses cash backed

8. OPERATING BUDGET

8.1. The municipality shall where possible after assessing the municipal budget in each annual and adjustments budget for the contribution to:
- Provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year,
- Provision for bad debts in accordance with its rates and tariffs policies
- Provision for the obsolescence and deterioration of stock in accordance with its stores management policy
- At least 2% of equitable shares to be reserved for CRR.
- At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

8.2. The operating budget shall reflect the impact of the capital component on:
- Depreciation charges
- Repairs and maintenance expenses

- Interest payable on external borrowings
- Other operating expenses.

9. CAPITAL BUDGET

- The municipality shall budget its projects on multi-year projections; where multi-year projects exist.
- Only 10% of variation on outer years will be allowed.

10. CERTIFICATE OF ENDORSEMENT

This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by council and been signed by the Speaker. Policy shall be reviewed annually, unless in the event where any changes in any applicable Act and Legislation has jurisdiction to supersede.

ANNEXURE O

Expenditure Management Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

1 DEFINITIONS

1.1 **‘’Council’’** means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

1.2 **‘’Creditor’’** means a person to whom money is owed to by the municipality.

1.3 **‘’Customer’’** means any person comprising:

1.3.2 Resident of the municipality;

1.3.3 Ratepayer of the municipality;

1.3.4 Any civic organization involved in the municipality; and/or

1.3.5 Any visitor or other people who make use of services or facilities provided by the municipality.

1.3.6 “Prescription Act’’ refers to the Prescription Act No. 68 of 1969.

1.3.7 “Prescription Period” refers to section 11 of the “Prescription Act” where by a period of three (3) years will be applicable.

1.4 **“Primary bank account’’** means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

1.5 **‘’Register’’** means the official register kept to receipt all unclaimed deposits.

1.6 **“Municipality’’** means the Mogalakwena Local Municipality established in terms of section 155 of the Constitution.

1.7 **“VAT”** means Value Added Taxation.

1.8 **“SARS”** means the South African Revenue Service

2 SCOPE AND PURPOSE

The primary goal of this policy and procedure manual is to provide guidelines in the handling and processing of claims in line with the requirements of the MFMA, Treasury Regulations, Municipal Delegation of Authority, and other enabling financial legislations and prescripts.

3 DEFINITIONS

- For the purpose of this policy, the following definitions apply:

"Unauthorised Expenditure":

- Overspending of a vote or main division within a vote.
- Expenditure not in accordance with the purpose of the vote, or in the case of the main division, not in accordance with the purpose of the main division.

"Irregular Expenditure":

- Expenditure incurred in contravention of or that is not in accordance with requirements of any applicable legislation, including:

- The MFMA
- Supply Chain Management Regulations,
- The Mogalakwena Supply Chain Management Policy or any by-laws giving effect to such policy
- The Municipal Systems Act

"Fruitless and Wasteful Expenditure"

- Expenditure made in vain and which would have been avoided had reasonable care been exercised.

"Vote"

One of the main segments into which a budget of the municipality is divided for the appropriation of money for different departments or functional areas of the municipality, and which specifies the total amount that is appropriated for the purpose of the department or functional are concerned.

"overspending"

- When expenditure under the vote exceeds the amount appropriated for that vote or when expenditure under the department exceeds the amount appropriated for that department, resulting in unauthorised expenditure.
- In general, overspending occurs when expenditure exceeds amount budgeted for and becomes unauthorised expenditure only if the municipal budget or budget of a department within municipality is overspent.

3.1. The policy and procedure manual allows for:

- Consistency with regards to treatment of payment claims.
- Serves as a standard of performance where actual results can be measured against policy and procedures to determine their success or failure and possible improvements.

3.2. Responsibility of the accounting officer with regards to expenditure management: S65 MFMA

The accounting officer of municipality is responsible for the management of the expenditure of the municipality and must, among others ensure-

- that the municipality has and maintains an effective systems of expenditure control, including procedures for the approval, authorisation, withdrawal, and payments of funds;
- that the municipality has and maintains a system of internal control in respect of creditors and payments;
- that payments made by the municipality are made-

(i) directly to a person to whom it is due unless agreed otherwise for reasons as may be prescribed; and

(ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only up to a prescribed limit.

- That all money owing by the municipality be paid within 30 days on receipt of relevant invoices or statements, unless prescribed otherwise for certain categories of expenditure.
- That municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments.
- That the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.
- That all financial accounts of the municipality are closed at the end of each month and reconciled with its records.
- that the municipality has and maintains a management, accounting and information system which-

(i) recognises expenditure when it is incurred;

(ii) accounts for creditors and payments made by the municipality;

- Avoid and report on Unauthorised, irregular, fruitless and wasteful expenditure as soon as it occurs.
- Expenditure on staff, including councillors are reported in line with section 66 of MFMA

4 EXPENDITURE MANAGEMENT:

4.1 Underlying activities:

- Processing of payments in accordance with internal control processes.
- Avoid unauthorised, irregular, fruitless and wasteful expenditure and update the register as soon as such expenditure is detected.
- Record management and custody thereof.
- Accurate, reliable and timely financial information reporting.

5 BASIC PRINCIPLES – INTERNAL CONTROL PROCESSES

5.1 **An official may not;**

- Spend, or enter into a commitment to spend public money except with the approval (either in writing or by duly authorised electronic means) of accounting officer or a properly delegated or authorised officer.

5.2 **Before approving expenditure or committing to spend municipal funds, the delegated or authorised official must ensure the following:**

- that any limitations or conditions attached to the instrument of delegation or authorisation are complied with;
- that the expenditure or commitment is strictly in accordance with the purpose for which it was voted;
- that the amount of the expenditure or commitment can be met within the monetary limit of the

appropriated amount and that it will not give rise to unauthorised, irregular, or fruitless and wasteful expenditure;

- that the purpose of the expenditure will contribute positively to the achievement of the relevant programme's objectives;
- that the expenditure represents best value for money for the municipality;
- that the amount to be paid is correct and that the goods or services have been delivered in accordance with the original approval;
- that payments are made to the correct suppliers.
- progress, or part payment in respect of services rendered or work done shall not be made unless it is supported by a certificate that the amount of the payment is fully covered by the services already rendered or work done.
- that the payment relates to the performance of a contractual obligation or
- Execution of a judgement of a competent court
- Any authorised advance
- All invoices must be accompanied by delivery notes and/or goods receipt notes duly acknowledged by municipal stamp, and signature of the recipient of goods or services.

6 THER LEGISLATIVE REQUIREMENTS REGARDING HANDLING OF CLAIMS

6.1 It is important that the following basic principles are adhered to in order to ensure the municipality complies with the legislative requirements:

- Suitable arrangements must be made to ensure that all claims are received within a reasonable period to prevent claims being submitted long after services have been rendered.
- Unless determined otherwise in a contract or other agreement, all payments due must be settled within **thirty (30) days** from date of invoice, and in the case of civil claims, from the date of settlement or court judgement.

7 PROCEDURES BEFORE PAYMENT VOUCHER IS PROCESSED.

7.1 Before making a payment, the person checking the voucher for payment shall:

Certify it accordingly, and make sure that the following requirements have been complied with:

- that the claim/invoice;
- is a proper charge against the municipality, and has **not** already been paid;
- is in accordance with a law, regulation, tariff, agreement or tender requirements.
- is fair and reasonable; and is covered by competent authority in terms of financial delegation.
- is correct with regard to terms and conditions of contract where services rendered or goods delivered are under contract.
- correct with regard to computations;
- supported by original and necessary documentation such as, contracts, invoices, certificates, delivery notes and/or goods receipt notes duly stamped and signed by the recipient, and is generally in order.
- correct with regard to period covered

NB! Only persons who have actual knowledge of the services or supplies shall give certificates or confirmation in support of claims and countersign invoices, e.g. the procurement/provisioning component, project managers and end users.

Should certification be found to be defective, or there is reasonable doubt as to its accuracy, it must be returned to the person from whom it originated for cancellation

or correction.

8. MANAGEMENT OF RECORDS AND CUSTODY THEREOF

8.1 Once payment has been concluded; the following control measures shall apply:

● the task of controlling all processed payment documents/vouchers shall be assigned to a responsible official, in writing or reflected on such officials' job description.

8.1.1 It is the responsibility of such official to ensure that:

- All payment vouchers and supporting documents are received and immediately stamped as ''PAID'' where necessary, depending on the systems and processes in use.
- Payment vouchers and supporting documentation are filed in payment number or convenient format per accounting month.
- All documents are lodged in a strong room or in a room that is fire resistant.
- Reconcile monthly documents on hand with Venus Payment Control Report before filing.
- Forward reconciled documents to the filing clerk or responsible official for custody and safekeeping.
- Only authorised persons shall have access to accounting records and documents.

The head of the division shall conduct regular inspections to ensure that the above control measures are complied with.

9. PAYMENT PROCESS FLOW:

9.1 **Compiling of payment voucher:**

- supported by original and necessary documentation such as, contracts, invoices, certificates, delivery notes and/or goods receipt notes duly stamped and signed by the recipient, and is generally in order.

9.2 **Authorisation of Expenditure**

Once the checker has signed off the payment voucher, it shall be forwarded to the delegated official for authorisation in accordance with the municipal financial delegation of authority.

The authorising official must ensure that:

● any limitation or condition attached to the instrument of delegation are complied with.
● that the expenditure is strictly in accordance with the purpose of the vote.
● the expenditure represents the best value for money for the department.
● the amount paid is correct and the goods and services have been delivered per specification provided for.
● the expenditure will not result in unauthorised, Irregular and wasteful or fruitless expenditure.

9.3 Capturing:

● The authorised payment is forwarded for capturing and signed for by the capturer.
● Once the payment is captured, a payment number is generated and updated on the payment voucher. The capturer signs the voucher before forwarding to the supervisor who checks and verify the details of the payment prior to approving or rejecting the payment.
● The supervisor authorises the payment on the system and also signs the voucher.
● All paid vouchers are submitted to the voucher Control officer who is responsible for the safeguarding of payment documents.
● Paid vouchers are stamped "PAID" where necessary, reconciled with Venus Payment Reports and filed in the strong room.

10. RESPONSIBILITIES RELATING TO PROJECTS CLAIMS

All project related claims shall be certified at project management level and by relevant departmental managers before forwarding for payment to ensure validation of data relating to claim and to avoid unauthorised, irregular, and fruitless and wasteful expenditures.

Expenditure division should ensure that the project expenditure is within allocated budget as per contract and that any contingencies, guarantees and retentions are reconciled before payments are affected.

10.1 PROCESS FLOW – CONTRACTOR/PROJECT CLAIMS

Contractor and Engineer on site:

Step 1 Receipt of claims

- Breakdown and measurement of completed work for purpose of compilation of claims.
- Certification of work done.

Step 2 Verification and recommendations – PMU Technicians

- The project technician checks and confirms that the milestones claimed are correct in term of measurements and amounts claimed.
- The project manager recommends payment according to milestones and amounts to be paid and sign the claim before forwarding for further processing. At this stage the project management should validate the claims to ensure that they are correct before submitting to finance for payment

Step 3 PMU Finance unit.

Once the technicians have verified the claims, the claims are forwarded to the PMU finance unit for arithmetic checks.

Step 4 Approval of expenditure – PMU Manager

The Project Management Manager does further checks and sign the claims.

All the processes are to ensure that unauthorized, irregular, and fruitless and wasteful expenditures are avoided.

Step 5 HOD Technical Services confirms.

The Divisional Head Technical Services confirms the claims and sign to ensure that unauthorized, irregular, and fruitless and wasteful expenditures are avoided.

Step 6 Deputy Manager (DM) Technical Services

The DM Technical Services does further checks, ensuring that there is valid contract, linking to specific tender, recommend and sign the claims.

All the processes are to ensure that unauthorized, irregular, and fruitless and wasteful expenditures are avoided.

Step 7 Approval of expenditure – Manager Technical

The Manager sign the claims as approval of work done and that the claims are legitimate charge against the municipality, that the appointment of the contractor is indeed in order and all due supply chain management processes have been followed.

STANDARDS PERTAINING TO PAYMENTS.

Project completion.

The manager will sign off project completion certificates from recommendations and approvals by the contractor, project manager, the engineer and senior project manager responsible for the particular project.

RELEASE OF RETENTION and GUARANTEE MONIES

This will be in terms of contract and the duration will commence at the project completion sign-off date. Proper contract management will ensure that these are paid timeously and accurately.

VARIATIONS

Variation should be pre-agreed and dependent on the nature of project. Any such variation should be supported by engineers' report and be independently verified and approved by the department.

TURNAROUND TIMES

Payments should be completed within thirty (30) days after the receipt of claims by finance.

CUSTOMER CARE (INFORMATION MANAGEMENT)

The Technical Services will serve as a central communication point between contractors and finance on payments enquiries to avoid direct interaction between contractors and finance staff on matters pertaining to claims that may cause disruptions and delays and finance expenditure division shall give status regarding payment to technical services for feed back to the contractor.

CONCLUSION

The manual will be reviewed and adjusted for any new developments as and when the need arises.

ANNEXURE P

Unauthorised, Irregular and Fruitless Expenditure Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

1 DEFINITIONS

1.1 **‘’Council’’** means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

1.2 **‘’Customer’’** means any person comprising:

1.2.2 Resident of the municipality;

1.2.3 Ratepayer of the municipality;

1.2.4 Any civic organization involved in the municipality; and/or

1.2.5 Any visitor or other people who make use of services or facilities provided by the municipality.

1.2.6 “Prescription Act’’ refers to the Prescription Act No. 68 of 1969.

1.2.7 “Prescription Period” refers to section 11 of the “Prescription Act” where by a period of three (3) years will be applicable.

1.3 **‘’Register’’** means the official register kept to receipt all unclaimed deposits.

1.4 **“Municipality’’** means the Mogalakwena Local Municipality established in terms of section 155 of the Constitution.

1.5 **“VAT”** means Value Added Taxation.

1.6 **“SARS”** means the South African Revenue Service

2 SCOPE AND PURPOSE

2.1 The primary goal of this policy is to give directives on unauthorised, irregular and fruitless and wasteful expenditure. It also gives guidance in dealing with cases which are regarded financial misconduct under the Municipal Finance Management Act No. 56 of 2003, sections 29, 32 and 62.

2.2 Serves as a standard of performance where actual results can be measured against policy and procedures to determine their success or failure and possible improvements.

3 BACKGROUND

3.1 Municipalities very often find themselves faced with situations where unauthorised, irregular or fruitless and wasteful expenditure is incurred. Sections 29, 32 and 62 are meant to address such conditions.

For the purpose of this policy, the following definitions apply:

“Unauthorised Expenditure”:

- Overspending of a vote or main division within a vote.
- Expenditure not in accordance with the purpose of the vote, or in the case of the main division, not in accordance with the purpose of the main division.

"Irregular Expenditure":

- Expenditure incurred in contravention of or that is not in accordance with requirements of any applicable legislation, including:
- The MFMA
- Supply Chain Management Regulations,
- The Mogalakwena Supply Chain Management Policy or any by-laws giving effect to such policy
- The Municipal Systems Act

"Fruitless and Wasteful Expenditure"

- Expenditure made in vain and which would have been avoided had reasonable care been exercised.

"Vote"

One of the main segments into which a budget of the municipality is divided for the appropriation of money for different departments or functional areas of the municipality, and which specifies the total amount that is appropriated for the purpose of the department or functional are concerned.

"overspending"

- When expenditure under the vote exceeds the amount appropriated for that vote or when expenditure under the department exceeds the amount appropriated for that department, resulting in unauthorised expenditure.
- In general, overspending occurs when expenditure exceeds amount budgeted for and becomes unauthorised expenditure only if the municipal budget or budget of a department within municipality is overspent.

Unforeseen and unavoidable expenditure (s29, MFMA)

- In terms of s29 of the MFMA, the mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseen and unavoidable expenditure for which no provision was made in an approved budget.
- Any such expenditure must not exceed a prescribed percentage of approved annual budget (no prescription as yet – suggest 10%). The expenditure must be reported to Council by the Mayor in its next meeting and must be appropriated in the next budget adjustments.
- If such budget adjustments are not passed by Council within 60 days, the expenditure shall be considered unauthorised.

Unauthorised, irregular or fruitless and wasteful expenditure (s32, MFMA)

- A political office bearer is liable for unauthorised expenditure if that office bearer knowingly or after having been advised by the Accounting Officer of the municipality that the expenditure is likely to results in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;
- The Accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer. The accounting officer is however not liable if he informed the Mayor, council or executive committee in writing that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful should it be incurred.
- Any political officer bearer or official who deliberately or negligently commit, make or authorise an irregular, fruitless and wasteful expenditure is liable for that expenditure.

Actions following discovery of unauthorised, irregular or fruitless expenditure (s32 ss2-7 and 62(1) (d & e)

- The municipality shall recover unauthorised, irregular, or fruitless and wasteful expenditure from the person or persons liable for that expenditure after investigation in line with relevant regulation as issued by National Treasury.
- The accounting officer must promptly inform the mayor and the MEC for CoGHSTA in Limpopo, and Auditor General, in writing of any unauthorised, irregular, or fruitless and wasteful expenditure, whether any person is liable or under investigation for such expenditure and the steps taken to recover or rectify such expenditure and prevent a recurrent of such expenditure.
- The accounting officer must report to South African Police Service all cases of alleged irregular expenditure that constitute a criminal offence and cases of theft and fraud that occurred in the municipality.
- Section 62(1)(d) of MFMA also requires that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of chapter 15 of this Act.
- The council of the municipality must take all reasonable steps to ensure that cases of fraud and theft are reported to SAPS if the charge is against the Accounting Officer or if the Accounting Officer fails to report such cases against any official of the municipality.

Process to follow on discovery of unauthorised, irregular, or fruitless and wasteful expenditure:

- A municipality **must** recover the unauthorised, irregular, or fruitless and wasteful expenditure **unless t**he expenditure is certified by council as irrecoverable and condoned by council, **but only;**
- After investigation by Council Committee

What the council committee should look for:

- Nature and amount of expenditure,
- Root cause in terms of
- Leadership (control environment)
- Financial management (processes in place to avoid and detect)
- Governance (policies and procedures in place)
- Person(s) liable
- Intentionally
- Value received
- Recommendation – condone/write off or recover.
- Internal control measures implemented to prevent recurrence.

Investigation of alleged financial misconduct constituting criminal offence.

- In the event of unauthorised, irregular, or fruitless and wasteful expenditure being incurred in Mogalakwena Local Municipality and pointing to theft and fraud, the following will apply in line with provisions of the MFMA:
- The municipality shall investigate allegations of occurrence of such expenditure against any political office bearer, the accounting officer, chief financial officer, a senior manager, or any other official of the municipality.
- If the results warrant such a step, institute disciplinary proceedings against such a person in accordance with the MFMA, systems and procedures referred to in s67 of the Municipal Systems Act, read with schedule 2 of that Act and any other applicable legislation or directives.

If anybody is found guilty of financial misconduct, such person(s) shall be liable to legal action with regard to recovery of the money.

ANNEXURE Q

SUPPLY CHAIN MANAGEMENT POLICY

2024/25

1. **PREAMBLE**

WHEREAS Section 217 of the Constitution of the Republic of South Africa, 1996 requires the organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, when contracting for goods or services, to do that in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

WHEREAS Section 111 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) requires that the Municipality adopt, maintain and implement a Supply Chain Management Policy;
And WHEREAS Municipal Supply Chain Management Regulations made in terms of Section 168 of the Local Government: Municipal Finance Management Act prescribes what such Supply Chain Management Policy must provide for:

Now THEREFORE, the Council of the Mogalakwena Municipality adopts the Supply Chain Management Policy as set out in this document.

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1. DEFINITIONS

In this Supply Chain Management Policy, unless the context otherwise indicates, a word or expression to which a meaning has assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), has the meaning so assigned, and:

"Competitive bid" means a written offer submitted in a prescribed or stipulated form, in response to an invitation by the Municipality for the provision of goods and services;

"Competitive bidding process" means a competitive bidding process referred to in paragraph

12 (1) (d) of this Policy "**Final award"**, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

"Council" refers to Mogalakwena Municipality;

"Equity Ownership" refers to the percentage ownership and control, exercised by individuals within an enterprise.

"Black people" is a generic term, which means Africans, Coloureds and Indians who are South African citizens.

"Broad-Based Black Economic Empowerment" means the economic empowerment of all Black people through diverse but integrated socio-economic strategies that include, but not Limited to:

(i) Increasing the number of black people that manage, own and control enterprises and productive assets;
(ii) Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
(iii) Human resources and skills development;
(iv) Achieving equitable representation in all occupational categories and levels in the workforce;
(v) Preferential procurement; and
(vi) Investment in enterprises that are owned or managed by black people.

"B-BBEE status level of contributor" means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act **"Historically disadvantaged Individual (HDI)"** means a South African citizen who:

- Had no franchise in the national elections prior to the introduction of the Constitution of the Republic of South Africa 1983(act 10 of 1983) or the Constitution of the Republic, 1993(act 20 of 1993) ("the interim Constitution") And/or
- is a female and/or - has a disability
- Provided that a person who obtained South African citizenship on or after the interim Constitution took effect, is deemed not to be an HDI."

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

"List of accredited prospective providers" means the list of accredited prospective providers, which the Municipality entity must keep in terms of regulation 14 of the Local Government: Municipal Finance Management Act (56/2003): Municipal Supply Chain Finance Management Regulations;

"SMMEs" (Small, medium and Micro Enterprises) refers to separate and distinct business entities, including co- operative enterprises and NGOs, managed by one owner or more, as defined in the National Small Business (Act 102 of 1996). **"Contract"** refers to legally binding agreement between Mogalakwena Municipality and the service provider.

"Contractor" means any natural or legal person whose bid has been accepted by the Council.

"Closing time" means the date and hour specified in the bid documents for the receipt of tenders.

"Comparative prices" means the price after the factors of non-firm prices and all unconditional discounts that can be utilized have been taken into consideration;

Order" means an official written order issued for the supply of goods or the rendering of a service in accordance of the accepted bid or price quotation. **"Written" or "in writing,"** means hand written in ink or any form of mechanical writing in printed form.

"In the service of the state" means to be –

(1) A member of –

(i) Any municipal Council;
(ii) Any provincial legislature; or
(iii) The National Assembly or National Council of Provinces
(2) A member of the board of directors of any municipal entity;
(3) An official of any municipality or municipal entity;
(4) 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);
(5) A member of the accounting authority of any national or provincial public entity; or
(6) An employee of Parliament or a provincial legislature;

"Long term contract" means a contract with a duration period exceeding one year;

"Other applicable legislation" means any other legislation applicable to municipal supply chain management, including

(i) The Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000);
(ii) The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and (iii) The Construction Industry Development Board Act, 2000 (Act No.38 of 2000).

"Reputable service provider" means a service provider which is a manufacturer, dealer, distributor, retailer, wholesaler and/or hardware stores etc that supplies the specific goods or service on a fair and reasonable amount that will be regarded as a market related price.

"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)

"Service provider" means a current or potential supplier, manufacturer, contractor, vendor, agent, or professional service provider.

"Corrected Bid Sum" means the Bid sum, corrected in terms of the bid documentation, where applicable.

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

"The accounting officer" means the Municipal Manager of a Municipality

"Specific Goals" means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;

"Highest acceptable tender" means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

"Lowest acceptable tender" means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders; **"price"** means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

"Rand value" means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

"tender" means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation; **"tender for income-generating contracts"** means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to,

leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions; and

"The Act" means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

2. INTRODUCTION

1. The supply chain policy of the Mogalakwena Municipality sets a frame work for meaningfully managing, monitoring and reporting of procurement activities and provides the procedures to be followed in procurement and is premised within the context of the South African legislative framework. the laws that are currently applicable include;

a) the Constitution of the Republic of South Africa Section 217(Act 108 of 1996)
b) the Preferential Procurement Policy Framework Act (Act 5 of 2000) and its regulations 2017
c) the Local Government: Municipal System Act (32 of 2000),
d) Local Government: Municipal Finance Management Act (56 of 2003)
e) The Broad Based Black Economic Empowerment Act 53 of 2003
f) The State Information Technology Agency (SITA) act 88 of 1998
g) Supply Chain Management – A Guide to accounting officers for municipalities and municipal entities 2005
h) The prevention and combating of corruption Activities Act 12 of 2004
i) National Treasury SCM practice notes and circulars

The principles of this policy are those set out in the legislative framework mentioned above in particular;

a) that of realizing value for money
b) good governance and
c) ensuring cost effectiveness and
d) competitive equitable,
e) transparent and fair access to procurement opportunities to all.

The Supply Chain Policy forms part of the overall business systems of the Mogalakwena Municipality and will be supported by specific procurement systems aimed at improving both procurement and business performance to ensure the Mogalakwena Municipality obtains goods and services in support of its activities at a lowest possible cost having regard to quality and service, while acting in a socially responsible manner in developing and supporting small, micro and medium enterprise SMMEs owned by Historically Disadvantaged Individuals HDIs.

CHAPTER 1

OBJECTIVES, PRINCIPLES AND ROLES

3. Objective of Supply Chain Management Policy

The objective of the supply chain management policy is -

(a) To give effect to the provisions of section 217 of the Constitution of the Republic of South Africa, 1996;

(b) To give effect to the provisions of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003)
(c) To give effect to the provisions of the Preferential Procurement Policy Act 5 of 2000 and regulations 2017
(d) To give effect to the Municipal Supply Chain Management Regulations
(e) The Broad Based Black Economic Empowerment Act 53 of 2003
(f) The State Information Technology Agency (SITA) act 88 of 1998
(g) Supply Chain Management – A Guide to accounting officers for Municipalities and municipal entities 2005
(h) The prevention and combating of corruption Activities Act 12 of 2004 (i) National Treasury SCM practice notes and circulars

4. Principles

Principles of supply chain management policy are -

(a) Accountability: Effective supply chain management system must be maintained in order to enable the Accounting Officer to discharge his/her responsibilities.
(b) Efficiency: Procurement process must be carried out as cost-effective as possible.
(c) Effectiveness: The Municipality must meet the socio-economic goals of the National Government and sound financial governance appropriate to procurement requirements.
(d) Fairness: The service providers must be treated fairly. The Municipality must not impose unnecessary burdens or constraints on the service providers or potential service providers.
(e) Legality: The Municipality must conform to all legislative requirements in terms of the procurement.
(f) Transparency: The Municipality must ensure that there is openness and clarity on Supply Chain Management Policy and its deliverables.
(g) Responsiveness: The Municipality must endeavour to meet the aspirations, expectations and needs of the community served by the procurement.
(h) Informed decision-making: The Municipality needs to base decisions on accurate information and monitor requirements to ensure that they are being met.
(i) Integrity: There must be no corruption or collusion with the service providers.
(j) Consistency: The service providers must be able to expect the same general Supply Chain Management Policy across the Municipality.
(k) Competitiveness: Procurement must be carried out by competition unless there are convincing reasons to the contrary.

5. Oversight role of the Council

The Council must maintain oversight over the implementation of the supply chain management policy. For the purpose of such oversight, the accounting officer must -

(a) Within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor
(b) Within thirty (30) days of the end of the financial year submit a report on the implementation of the supply chain management policy of the Municipality.
(c) Whenever there are serious and material problems in the implementation of the Supply Chain Management Policy, immediately submit a report to the Council.

(d) The reports of supply chain management policy must be made public in accordance with section 21A of the Municipal Systems Act.

6. Role of the Accounting Officer

Accounting officer should –

(a) At least annually review the implementation of the policy and when considers it necessary, submit proposals for the amendment of the policy to council
(b) Implement a Supply Chain Management Policy.
(c) Take account of the need for the uniformity in supply chain practices, particularly to promote accessibility of supply chain management systems for small businesses.
(d) Ensure strict adherence to the guidelines provided by the National Treasury.
(e) Develop the internal procedures and processes.
(f) Report to Council regarding implementation of the Supply Chain Management.
(g) Comply with the highest ethical standards.
(h) Ensure training of supply chain practitioners.

7. Delegation of supply chain management powers and duties

(1) The Council hereby delegate to the Accounting Officer any all powers and duties to enable the Accounting Officer –
(a) To discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of –
(i) Chapter 8 or 10 of the Act; and
(ii) The supply chain management policy
(b) To maximise administrative and operational efficiency in the implementation of the supply chain management policy
(c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy
(d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
(2) The Accounting officer may not delegate or sub delegate any supply chain management powers or duties –
(a) To a person who is not an official of the municipality or
(b) To a committee which is not exclusively composed of officials of the municipality
(3) The delegation to the accounting officer in terms of 3.3.1 above is subject to the following conditions:
(a) That a competitive bidding process will be followed for any specific procurement of a transaction value above R300 000.00 (Vat included) and the procurement of long-term contracts.
(b) That on recommendation from the bid adjudication committee, the Accounting Officer makes final awards on procurement of a transaction value above R 300 000.00 (Vat included).
(c) That the final award in a competitive bidding process should be made through the committee system provided for in section 8 of this policy.

(d) That a written report be submitted to the accounting officer in the case of the final award of a transaction value between R300 000.00 and R5 000 000.00 within ten days of the end of each month.
(e) No decision-making in terms of any supply chain management powers and duties may be delegated to an advisor or consultant.
(f) That no requirement for goods or services above an estimated transaction value of R300 000.00 (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.

8. Committee Systems for Competitive Bids

A committee system for competitive bids should consist of at least –
A bid specification committee
(a) A bid evaluation committee
(b) A bid adjudication committee

9. Composition of Committees

The Accounting Officer should appoint members of each committee based on the following considerations:

(1) Bid Specification Committee – should have the following members:
(a) One or two officials/specialists from the procuring department
(b) An Official from Supply Chain Management
(c) External specialist (e.g., consultant appointed to assist or a representative from co-funding organ of state such as DWAF etc.) depending on nature of the project
(d) Any municipal official with expertise or skills to contribute positively in the project.

The specification of bids lower than R300 000 (inc VAT) will be compiled by the head of department or delegated official with SCM manager on the oversight role.

The specification and evaluation committees per project may preferably be composed by the same members and must be approved by the AC.
No person, advisor involved with the bid specification committee, or director of such, may bid for any resulting contracts.

(2) Bid Evaluation Committees – this is an AD HOC committee to comprise of at least the following standing members:
(a) An official appointed by the Accounting Officer to serve as the chairperson
(b) A senior Supply Chain Officer
(c) Official(s)/specialists from the procuring department.
(d) Any co-opted external specialist with the approval of the Accounting Officer. The specialized only plays an observer status and has no voting rights in the bid evaluation.

The committee automatically dissolves at/when the final award takes place and will reconvene when the need arises on the same project.

(3) Bid Adjudication Committee

Bid adjudication committee must consist of at least four managers of the municipality or municipal entity, which must include;

(a) The Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the office of the Chief Financial Officer reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;
(b) Any of the three Senior Officials (Managers) from Technical, Electrical, Traffic and Emergency, Planning and Development, Corporate Services, Community and Divisional Head: Supply Chain Management.
(c) An SCM Official (Secretariat)

The adjudication committee to be appointed in writing and must be cleared on all level of confidentiality and must declare their interests.

10. Functions and Purpose of Committees

Following are functions and purposes of the different committees

(1) Bid Specification committees

(a) A bid specification committee must compile the specifications for each procurement of goods or services for the municipality:
(b) Specifications –
(i) Must be approved by the accounting officer on recommendation by the Bid Specification Committee.
(ii) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services
(iii) Must take account of any accepted standards such as those issued by Standards South Africa, the international Standards Organization, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.
(iv) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
(v) May not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification
(vi) May not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”.
(vii) Must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Policy Framework Act 5 of 2000(PPPFA), Preferential regulations of 2017 and supply chain management policy of the municipality,
(viii) Must set clear evaluation criteria to be used to evaluate the bid offers. No evaluation criteria will be set after advert or closing of the bid.

(2) Bid Evaluation Committees

(a) A bid evaluation committee must –
(i) Evaluate bids in accordance with –

- The specifications for a specific procurement; and
- The points system as must be set out in the supply chain management policy of the municipality in terms of regulation 27(2)(f) and as prescribed in terms of the Preferential Procurement Policy Framework Act and regulations 2017;
- All the applicable policies, practice notes and circulars from CIDB (for construction works) and National Treasury should be implemented when evaluating bids.

(ii) Consider technical report from procuring division / Project Management Unit of the municipality.

(iii) Evaluate each bidder's ability to execute the contract;

(iv) Bid evaluation members who are scoring for functionality accept responsibility for the decisions individually and must when requested to do so, motivate for their decisions.

(v) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrear for more than 3 months; and

(vi) Request administrative documents only from shortlisted bidders or from bidders who have the potential to be awarded the bid in terms of functionality, price and functionality (I.e., Tax Pin, ID copies of shareholder, any trade certificate or any clearance, company registrations, CIDB Certificates, municipal rates and taxes statements) and provide such potential bidders to correct the administrative omission that are not material to the overall evaluation of the bid.

(vii) The information to be requested as per item (v) above must be obtained within two working days.

(viii) Advice the adjudication committee in cases where one service provider or contractor is to be contracted for more than two project; whether through evaluation of his capacity, capability, experience, management and/or by evaluating the current contract awarded by the municipality if they are progressing well and according to plan. This will assist the municipality not to pile up contracts to one person who will further delay service delivery due to work overload.

(ix) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(x) Re-evaluate formal quotation/bids in cases where bid evaluation recommendations were referred back by the Bid Adjudication Committee.

(3) Bid Adjudication committees

(a) A bid adjudication committee must –

(i) Consider the report and recommendations of the bid evaluation committee; and

(ii) Either –

* Depending on its delegation, make a final award or a recommendation to the Accounting Officer to make the final award; or
* Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

Format of Supply Chain Management System

11. 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

12. System of demand management

(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 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 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;
(c) Provide for the compilation of the required specifications to ensure that its needs are met; and
(d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
(3) Benefits of Demand Management

Demand management should provide benefits such as:

(a) Best value for money;
(b) Better risk management;
(c) More efficient procurement;
(d) Improvements in procurement outcomes;
(e) More opportunities for innovating bidding and contract management;
(f) More opportunities for implementing and achieving National Government's broader policy objectives;
(g) Effective partnership between supply chain management practitioners and end-users.

Part 2: Acquisition management

13. System of acquisition management

(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 will be procured by the Municipality in accordance with authorised processes only;
(b) That expenditure on goods and services will be incurred in term of the approved budget in terms of section 15 of the Act;
(c) That the threshold values for different procurement processes will be complied with;
(d) That bid documentation, evaluation and adjudication criteria, and general conditions of contract, are in accordance with any applicable legislation;
(e) That any Treasury guidelines on acquisition management will be properly taken into account; and
(f) Unless the Municipality otherwise directs:
(i) Bids are invited in the Republic only, and

(ii) The laws of the Republic should govern contracts arising from the acceptance of bids.

(2) The Supply Chain Management will not apply if a municipality contracts with another organ of state for –

(a) The provision of goods or service to the municipality;

(b) The provision of a municipal service or assistance in the provision of a municipal service

(c) The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement

(3) If a municipality procure goods or services contemplated in 2 above, it must make public the fact that it procures such goods or services otherwise than through its supply chain management system including –

(a) The kind of goods or services; and

(b) The name of the supplier

(4) The supply chain management system, except where provided otherwise in the regulation, will also not apply in the following:

(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, municipality or a municipal entity.

14. Range of Procurement processes thresholds and delegations

(1) The procurement of goods and services will be procured through the following thresholds and delegations:

RAND VALUE	TYPE OF PROCUREMENT
R0 - R2 000	Petty cash (one quote must be attached when requesting petty cash) In cases where it is impractical or impossible to finance t goods or services below R2000.00 from petty cash, one quotation must be attached to issue an order.
R 2 001 – R 30 000	a) More than three formal written price quotations (IQUAL.NET Database). b) Where possible, quotations for a service(s) at a specific area of the municipality must as far as possible be requested from local companies in and around that specific area. c) Where two quotes are received, a cover memo must be signed by the inviting official indicating that only two quotes have been received from the invited providers when the document is submitted for approval. d) In cases where one quote is received from the invited providers and positive evidence of invitation is available, a support benchmark quote from reputable service provider must be attached to serve as a competitive market price and must be accompanied by a cover memo that only one quote was received from the normal process. e) Where no quotes are received from invited bidders and positive evidence of invitation is available (email transmission telephonic communication is noted), a limited bidding with, where possible with three (03) written quotations from r (manufacturer, dealer, distributor, retailers, wholesalers and/or hardware stores etc.) suppliers must be obtained and submitted for approval of the Chief Financial Officer and Municipal Manager. (where the need arises, reference to rep provider can be obtained from users of that service) f) Where a limited bid is followed the compliant and lowest acceptable quotation must be signed by the user division as approval of the content of the quotation and amount that is to be committed. g) Unless the approved quotation specifies the delivery date, the general delivery date will be 14 days from the date of o h) The same procurement process is followed when procuring store items and the user division must be allowed to appro the specifications before advertising and after receipt of the quotations before approval by CFO and municipal manager
R 30 000 – R 300 000	a) Publication of specification 7 days on the website and notice boards b) Tender notices must be checked and be authorized by the head: SCM before advertising. c) Notices to be deposited in the tender box and to be opened by not less than two SCM officials and by request availability of bidders; the bids may be read out in public. d) Bid offers must be checked against the administrative criteria and compliance to specification before submit supervisor for evaluation. e) The provision of the Preferential Procurement Policy Framework Act 5 of 2000 and the Preferential Procurement Policy Framework of 2017 applies. f) The evaluation report must be signed by the Divisional Head: SCM before signed by the user division and then Chief Financial Officer.

RAND VALUE	TYPE OF PROCUREMENT
	g) Should the user division or CFO not recommend the evaluation by SCM, the reasons for disapproval must be and feedback must be given to SCM for advice and/or re-evaluation. The same procurement process is followed when procuring store items and the user division must be allowed approve the specifications before advertising and after receipt of the quotations before approval by CFO and municipal manager.
R300 000 and above	i) Competitive bidding/tender 14 days for contracts below R10 000 000 and above will be 30 days j) A tender register for all tenders advertised, awarded, cancelled with relevant dates must be kept and be updated k) Bids must be deposited in the specified tender box and must be read in public l) Received bids and amounts should be recorded by corporate services and submitted to Supply Chain Management for evaluation. m) The names and amounts (where possible) of bidders for each bid must be published on the municipal webs days after closure of that bid. n) User division must present the provisional technical report to the evaluation committee. o) A final evaluation to be held by the approved Bid Evaluation Committee members. p) Detailed evaluation report must be presented to the adjudication committee for recommendation to Municipal Manager. q) Appointment letters must be issued out to the awarded service providers. Tender awarded information must be published after the conclusion of the contract *(Debriefing).*

(2) The Accounting Officer may lower and not increase in writing the threshold values specified in 1 above.

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirement of this policy.

(4) When determining transaction values, a requirement for goods or services consisting of different parts or items must 7 as far as possible be treated and dealt with as a single transaction.

15. General preconditions for consideration of written quotations or bids

A written quotation or bid MAY not be considered unless the provider who submitted the quotation or bid –

(a) Has furnished that provider's –

- Full name;
- Valid National Treasury's Central Supplier Database report.

(b) Has authorized 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 stakeholders referred to in subparagraph (ii) is in the service of the State, or as been in the service of the State in the previous twelve months.

This section must be read together with the approved circular on administrative requirements as approved by council.

16. Lists of accredited prospective providers

(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 quotation; and

(b) At least twice 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) Database must be advertised for opening for at least two months and close to allow listing, checking and utilization of the listed providers before others can be added.

(d) Specify the listing criteria for accredited prospective providers; and

(e) Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers who might have bought and want to submit their forms after the quarterly update and any new commodities or types of services.

(a) The list must be compiled per commodity and per type of service

(b) A supplier that's not registered on SCD will not be considered.

17. Petty Cash Purchases

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 13 (1) (a) of this policy are as follows -

(a) Employees are not authorized to approve their own petty cash transactions nor petty cash transactions be authorized by a subordinate staff member.

(b) Petty cash purchases are limited up to R2000.00 (VAT included) per transaction.

(c) The total amount of petty cash purchases for each manager is limited up to the maximum of R10 000.00 (VAT included) per month.

(d) The petty cash fund cannot be used to –

(i) Purchase goods currently covered by term contracts;

(e) Receipts and appropriate documentation for each purchase must be submitted to finance: Income section.

18. Formal written price quotations

The following are conditions for procurement of goods or services through formal written price quotation:

(a) Quotations above R2000.00 must be obtained in writing from the different providers whose names appear on the list of accredited prospective providers of the municipality.

(b) In the case of specialised plant, machinery and vehicles, quotations can be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy in paragraph
16.1 to 16.2

(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. The reasons must be recorded in a form of a cover memo drafted by the procuring official.

(d) Section C above is only applicable where there is proof that more than three providers were invited and none responded and/or were all the received quotes are above the budget.

(e) Exception to three quotations will only be approved in accordance to Sec 18(c) where it is practically impossible to source/ obtain quotations for the following services:

(i) Training
(ii) Workshop, conferences, seminars, and meetings
(iii) Emergency services
(iv) Maintenance or servicing of specialised vehicles or equipment.
(v) Accommodation

(f) The names of the potential providers and their written quotations must be recorded.

19. Procedures for procuring goods or services through formal written quotations

The procedure for the procurement of goods or services through formal written price quotations is as follows:

(a) All acquisitions in excess of R30 000 that are made by means of price quotations, must be advertised by the Supply Chain Management Unit for at least 7 (seven) calendar days on the website and official notice board, and 80/20 preference point system is applicable.

(b) Bid offers in response to tender notice must be deposited in the tender box, opened at the time specified in the notice and may be opened in public.

(c) Bid offers will be checked for administrative compliance and compliance to the given specifications.

(d) The senior official in SCM will evaluate the bid offers and the Divisional Head: SCM will verify the evaluation and sign on behalf of SCM.

(e) Where the quotations have been invited via the notice board and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than three quotations.

(f) When using the list of accredited prospective providers, the Municipality must: -

(i) Promote ongoing competition amongst the providers, including by inviting providers to submit quotations on a rotational basis;

(ii) Promote the objectives of the Broad-Based Black Economic Empowerment Act; and

(iii) Apply the Preferential Procurement Policy Framework 2017 and any applicable regulations

(g) Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused.

(h) The Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all formal written quotations accepted by an official acting in terms of a sub delegation.

(i) Offers below R30 000 (Vat included) must be awarded based on compliance to specifications and conditions of contract.

(j) 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;

(k) A proper record keeping of the received written quotations must be maintained.

20. Process for competitive bidding

Following are procedures for a competitive bidding process for each of the following stages:

(1) Compilation of bidding documentation in addition to paragraph 5.2.3 above, the bid documentation must –

(a) Take into account –

- The general conditions of contract;
- Any Treasury guidelines on bid documentation; and
- The requirement of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.

(b) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation.

(c) Where applicable, include the minimum functionality criteria required for bidders to achieve for functionality before they are shortlisted for further evaluation of price and preferences.

(d) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted and the exclusion of such prospective contractors from those tenders.

(e) Require the bidders to furnish the following if the value of the transaction is expected to exceed R10 million (VAT included):

- If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statement –
  - For the past three years; or
  - Since their establishment if establishment during the past three years.
- A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payments is overdue for more than 30 days
- 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
- A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic.

(f) 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.

(2) Issuing of bid documents

(a) On the date that the advertisement appears in the Municipality's municipal website, and or media, prospective bidders may request copies of the tender documentation.

(b) No bid responses from any tenderer should be accepted if sent via the Internet, e-mail or fax.

(c) The Supply Chain Management Unit will only consider request for the extension of the closing dates of advertised bid if the postponed date can be advertised in the media used to advertise before the original closing date.
(d) The closing time may be postponed only if all potential bidders can be advised of the postponed time, in writing, before the original closing time.
(e) If the tender document has been revised the bidders who already purchased the bid document will be issued with a revised bid document free of charge.

(3) Public Invitation for competitive bids

The following are procedures for the invitation of competitive bids:

(a) Invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, e-tender portal, the website of the municipality or any other appropriate ways.

(b) Public advertisement must contain the following:

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;

(c) 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 an exceptional case where it is impractical or impossible to follow the official procurement process.

(d) Bids submitted must be sealed.

(e) The following information must appear in any advertisement:

- Bid number;
- Description of the requirements;
- The place where the bid documents are obtained;
- The date, time and venue where site inspection/briefing session will be (if applicable);
- Closing date and time; and
- The name and telephone numbers of the contact person for any enquiries.

(4) Site meetings of briefing sessions

(a) A fully explanatory briefing meeting must be conducted before the close of the bids to ensure that the bidders understand the scope of the project and that they can comply with the conditions and requirements.

(b) It should be a condition that prospective bidders attend a briefing meeting and non-attendance should invalidate a bid, where a site inspection/briefing session is applicable.

(5) Handling of bids submitted in response to public invitation

(a) *Closing of bids*

(i) All bids will close at 12H00 on a date as stipulated on the advertisement, which must be reflected in the bid document. Bids are late if they are received at the address indicated in the tender documents after the closing date and time.

(ii) A late bid should not be admitted for consideration and where practical should be returned unopened to the bidder accompanied by an explanation.

(b) *Opening of bids*

(i) Bids are opened in public as soon as possible after the closure by corporate services in the presence of the SCM Official.

(ii) The official opening the bids should in each case read out the name of the bidder and the amount of the bid.

(iii) The bid should be stamped with the official stamp of the Municipality and endorsed with the signatures of the person opening it and of the person in whose presence it was opened.

(iv) Bids should be recorded in a register kept for that purpose and the names of all bidders and the amount must be published on the municipal website.

(6) *Validity of the bids*

(a) The validity periods should not exceed 90 (ninety) calendar days and is calculated from the date of bid closure endorsed on the front cover of the bid document. The validity period for quotations is thirty days after closure. Should the validity period expire on a Saturday, Sunday or Public holiday, the bid must remain valid and open for acceptance until the closure on the following working date.

(b) Validity period must only be extended before the actual expiry. No bids will be considered for evaluation and/or adjudication when the validity has lapsed.

(7) Consideration of bids

(a) The Council takes all bids duly admitted into consideration.

(b) The Council reserves the right to accept the lowest or any bid received

(c) The decision by the Municipality regarding the awarding of a contract must be final and binding.

(8) Evaluation of bids

(a) After technical evaluation and price, bids will be screened for administrative compliance. Where a potential bidder has omitted such documents, there evaluation committee will request submission of such documents within two working days.

(b) The following are criteria against which all bids' responses will be evaluated:

(i) Compliance with bid conditions;

- Bid submitted on time
- Bid forms signed and each page initialled
- All essential information provided
- Submission of a valid CSD report
- Submission of a Joint Venture Agreement, which has been properly signed by all parties
- Payment of the municipal fees
- Audited financial statements, where applicable
- Valid CIDB certificate for construction projects.
- Company registration certificate
- Any other document deemed administrative.

(ii) Meeting technical specifications and comply with bid conditions;

(iii) Financial ability to execute the contract

Communication with regard to clause 8 above should be in writing and sent by way of fax or email. Where not practicable, telephone will be used to notify bidders. Failure to submit the requested documents within two days will lead to disqualification.

(9) Evaluation of bids on functionality and price

(a) Mogalakwena Municipality must in the bid documents indicate if, in respect of a particular bid invitation that bids will be evaluated on functionality and price.

(b) The total combined points allowed for functionality and price may, in respect of bids/offers with an estimated Rand value equal to, or below R50 000 000.00, not exceed 80 points.

(c) The total combined points allowed for functionality and price may, in respect of bids with an estimated Rand value above R50 000 000.00, not exceed 90 points.

(d) When evaluating bids, the points for functionality must be calculated for each individual bidder against the minimum functionality points for that specific bid (if any).

(e) The conditions of bid may stipulate that a bidder must score a specified minimum number of points for functionality to qualify for further evaluation.

In general, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a criterion depends on the nature of the required

commodity or service taking into account quality, reliability, viability and durability of a service and the bidder's technical capacity and ability to execute the contract.

(f) The number of points scored for achieving Government's Preferential Procurement points must be calculated separately and must be added to the points scored for functionality and price.

(g) Only bid with the highest number of points be selected.

(10) Sub-contracting arrangement

(a) A person awarded the contract may only enter into a subcontracting arrangement with the approval of the municipality.

(b) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

(c) A bidder must not be awarded the points claimed for B-BBEE status level of contribution if it is indicated in the bid documents that such a bidder intends to sub-contracting more than 25% of the contract value to any other enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

(d) All the applicable legislations and contract the CIDB, SARS, GBCC, GCC and other evaluation methods subjected to the main contractor must be complied with by the sub-contractor to avoid associated risks.

(11) Acceptance of bids

(a) Successful bidders must be notified at least by registered post, or facsimile of the acceptance of their bids, but that acceptance however, will only take effect after completion of the prescribed contract form. Unsuccessful bids should not be returned to bidders, but should be placed on record for audit purposes.

(b) A register or records should be kept of all bids accepted

(12) Publication of bid information

(a) The particulars of the successful bidders should be published in the Municipality's notice boards as well as the website.

(13) Cancellation and re-invitation of bids

(a)

(i) In the event that in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated Rand Value of
R50 000 000,00 the bid invitation must be cancelled.

(ii) In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to or below R50 000 000.00, the bid must be cancelled.

(iii) In the event that the Municipality has cancelled a bid invitation as contemplated in sub regulations (i) and (ii) must re-invite bids and, must, in the bid documents stipulate the correct preference point system to be applied.

(b) A bid may be cancelled before award if:

(i) Due to changed circumstances, there is no longer a need for the goods, works or services offered, or

(ii) Funds are no longer available to cover the total envisaged expenditure, or

(iii) No acceptable bids were received.

(c) When a tender is cancelled by the municipality and re- advertised, bidders who already purchased that tender document should be issued with the new tender document free of charge on submission of proof of payment for the cancelled tender.

(14) Negotiations with preferred bidders

(i) It is allowed under this Policy that the Accounting Officer should negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -

- Does not allow any preferred bidder a second or unfair opportunity;
- Is not to the detriment of any other bidder; and * Does not lead to a higher price than the bid as submitted.

(ii) Minutes of such negotiations must be kept for record and audit purposes

(15) Limited bidding

(a) It is allowed under this policy that the accounting office may use limited bidding to procure goods and services but approval must only be granted where there is sufficient motivation / reasons and after a careful and thorough analysis of the market.

(i) "Multiple source"- There is a limited competition, hence only a few prospective bidders are allowed to make proposal. This should be based on a thorough analysis of the market.

(ii) "Single Source"- This should be based on a thorough analysis of the market and use a transparent and equitable pre-selection process, to request only one amongst a few prospective bidders to make a proposal.

(iii) "Sole source"- There is no competition and it has been proven through careful and transparent market analysis that only one bidder exists (for example, sole distribution rights etc)

(16) Two-stage bidding process

(a) A two-stage bidding process may be allowed for –

(i) Large complex projects;

(ii) Projects where it may be undesirable to prepare complete detailed technical specifications; or

(iii) Long-term projects with a duration period exceeding three years.

(b) 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.

(c) In second stage final technical proposals and priced bids should be invited.

(17) Cession of payments

(a) A contractor may, subject to clause 17(b), only cede his right to payment in terms of a contract to a third party. A contractor may not by means of cession, cede any of his responsibility or obligations to perform in terms of a contract to any third party.

(b)

(i) when a contractor chooses to cede his or her right(s) to payment in terms of the contract to a third party, such contractor must request the AO in writing.

(ii) the request referred to in sub clause 17(b)(i) must be –

- on the official letterhead of the contractor;
- (ii) signed; and
- (iii) dated

(c) When the Municipality receives a request in terms of clause 17 from the contractor's bank, financier or attorney, written confirmation must be obtained from the contractor to verify the details of the transfer of payment.

21. Procurement of banking services

(a) A contract for banking services

(i) Must be procured through competitive bids.

(ii) Should not be procured abroad.

(iii) Should not be procured from institutions not registered as a bank in terms of the Banks Act, 1990 (Act No. 94 of 1990).

(iv) Must not be for a period of more than five years at a time.

(v) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(vi) The closure date of the submission of bids must not be less than 60 days from the date on which the advertisement is placed in a newspaper.

22. Procurement of IT related goods and services

(a) The Accounting Officer must request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(b) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(c) The Accounting Officer must notify SITA together with a motivation of the IT needs if–

(i) The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

(ii) The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

(d) If SITA comments on the submission and the Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the Provincial Treasury and the Auditor General.

23. *Procurement of goods and services under contract secured by other organs of state*

(a) The Accounting Officer may procure goods and services under a contract secured by another organ of State, but only if -

(i) The contract has been secured by that other organ of State by means of a competitive bidding process applicable to that organ of State;

(ii) There is no reason to believe that such contract was not validly procured;

(iii) There are demonstrable discounts or benefits to do so; and

(iv) That other organ of State and the provider has consented to such procurement in writing.

(b) Subparagraph (a)(iii) and (iv) do not apply if –

(i) A municipality procures goods and services through a contract secured by a Municipal entity of which it is the parent municipality Procurement of goods necessitating special safety arrangements

(c) The accounting officer must on a quarterly basis report to council in respect of all/any goods and services procured under this clause

24. Procurement of goods necessitating special safety arrangements

(a) The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.

(b) 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.

25. Empowerment of local businesses

(a) The Municipality supports the local businesses to the extent that, all things being equal, preference is given to procuring local goods and services from;

(i) Firstly – supplier and businesses within the municipality;

(ii) Secondly – suppliers and businesses within the district;

(iii) Thirdly – suppliers and businesses within the relevant province;

(iv) Fourthly- suppliers and businesses within the Republic

(b) Services such as catering must be awarded to suppliers which reside in and around the area of service; in an event where a large number of people are expected to attend the event, the quantities may be split to empower small businesses within the village.

(c) The successful bidder for a construction contract to the value of between R10 000 000.00 and R15 000 000.00 must subcontract 10% of his total value of the project to an EME within Mogalakwena Jurisdiction.

(d) The successful bidder for a construction contract to the value of between R15 000 001. and R30 000 000.00 must subcontract 20% of his total value of the project to an EME within Mogalakwena Jurisdiction.

(e) The successful bidder for a construction contract to the value of above R30 000 000.00 must subcontract 30% of his total value of the project to an EME within Mogalakwena Jurisdiction.

<u>26. Establishment of service providers Panel (Consultants, Contractors and suppliers)</u>

(a) When procuring for service providers and or establishment of a panel, the Accounting Officer should take into account any Treasury guidelines and circulars.

(b) Service providers/panel must be procured through competitive bids if –

(i) The value of the contract exceeds R300 000 (VAT included); or

(ii) The duration period of the contract exceeds one year.

(c) In addition to any requirements prescribed by this Policy for competitive bids, bidders must furnish particulars as prescribed in the bid document developed in compliance with the SCM regulations and its circulars.

(d) The Municipality may develop and use the database or panel of Service providers (consultants/contractor/suppliers) on rotation basis provided that the database is developed in consideration of the broader market, taking account applicable legislations and that the utilization of such database will be fair, equity, transparent, competitive, cost effective.

i. For construction, the CIDB grading as well as capacity of the contractor will be the basis of inviting at least three formal written financial quotations due to the complexity of the construction works.
ii. For consultants, it will be a random allocation based on expertise of the listed company since fees are regulated by ECSA.
iii. For suppliers, it will be rotated randomly for every listed company to get a chance to submit an offer.
iv. Appointment in the panel does not guarantee allocation of works/appointment for a project.
v. Should the performance of a service provider found to be below the expectation or the services provider be terminated from a contract, therefore such service provider name will be removed from the panel.
vi. Rotation does not mean that a service provider cannot be considered more than once for provision of service.

(e) All service providers listed on the panel will be deemed to have satisfied Supply Chain Management policy prescripts and Terms of Reference requirement for the panel. The compliance maters/documents which are subject to change over time will be part of the request for submission of a quote.

(f) The approach to be adopted requires that Terms of Reference (ToR) to be prepared and RFQ's to be issued to the panel of service providers when needs arise.

(g) The invitation process will be done via emails in line with the email addresses that were provided during the establishment of the database. In addition to the emails, the service providers will be called using the contact numbers provided during the bidding process.

(h) Invited Service Providers will be required to respond to the invitation within the deadlines of the quote issued. Failure by Service Providers to respond within the prescribed period, it will be deemed nonresponsive (implies that the bidder has rejected the invitation).

(i) The Service Providers will be given 14 calendar days to prepare and submit their financial proposals.

(j) In the event of emergency/urgent procurement, the Service Providers will be given a shorter period as determined by the Head of Department to prepare and submit their proposals/quotation.

(k) Should the quotations from the panel of accredited service providers be non-responsive, the municipality reserves the right to procure service outside the approved panel through normal procurement process.

(l) The municipality may add additional service providers to the panel through competitive bidding process should a need arise or may terminate the duration of the panel should there be reasonable grounds of non-compliance after audit (either internal or regulatory)

(m) 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.

27. Deviation from and ratification of minor breaches of procurement processes

(1) The Accounting Officer may –

(a) Dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only -

(i) In the event of an urgent or emergency, one written quotation is to be obtained;

- Urgent cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. (However, lack of proper planning is not a reason for deviation)
- Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.

(ii) If the required goods or services are available from a single provider only, one written quotation is to be obtained;

(iii) In respect of repairs to motor vehicles, machinery and equipment on a stripped and quote basis, only one written quotation is to be obtained;

(iv) For the acquisition of special works of art or historical objects where specifications are difficult to compile; or

(v) Acquisition of animals for game reserves owned by the municipality.

(b) Ratify any minor breaches of the procurement processes by 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 subparagraph (i) and (ii) of this Policy and report them to the next meeting of the Council and include as a note to the annual financial statements.

(a) Deviations should be used as a measure of last resort and must be avoided at all costs. Sound and sufficient motivation detailing the circumstances should accompany the requisition.

28. Unsolicited bids

(1) The Municipality is not obliged to consider unsolicited bid received outside the normal competitive bidding process in terms of section 113 of the Act.

(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;

(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 (b) 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) All written comments received pursuant to subparagraph (c), including any responses from the unsolicited bidder, must be submitted to the National Treasury and Provincial Treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make 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 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 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.

29. <u>Combating of abuse of supply chain management system</u>

(1) The Accounting Officer must provide measures for combating abuse of the Supply chain management system by providing the following:

(a) To take all reasonable steps to prevent such abuse.

(b) To investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with supply chain management 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) To 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) To 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 municipal entity, 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) To 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) To 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) To reject the bid of any bidder if that bidder or any of its directors –

(i) Has abused the supply chain management systems of the municipality or has omitted any improper conduct in relation to such system

(ii) Has been convicted for fraud or corruption during the past five years

(iii) Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years

(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, Performance and Contract Management

30. Logistics Management

(1) The Accounting Officer must establish and implement an effective system of logistics management, which must include the following –

(a) Stock-holding

Stores is only to hold stock complying with the following criteria:

(i) Essential Goods – Only items whose immediate availability is considered essential to maintain a municipal service.

(ii) Bulk Purchased supplies – Items of sufficient demand in common use which offer a reduction in cost over direct supply taking into account stock-holding costs.

(b) Internal Requisitions

Where stocks are held in stores, items must be requested internally as the sole source of supply with an original requisition form signed by the delegated official.

(c) *Stores Procedures*

To be operated for the regulation of stock levels and movement to provide adequate management information numerically and financially in accordance with any procedural notes which must be issued by the Head: Supply Chain Management Unit.

(d) *Warehouse Management*

(i) Receiving of stock items

Stock items received should be verified with the purchase order and inspected for proper quantities to ensure receipt of what was ordered. The delivery note is then signed indicating acceptance of goods received.

(ii) Issuing of stock items

Stock items should be issued only on the authority of a properly approved, pre-numbered requisition, signed by the relevant Business Unit's Manager, which should give the following information:

□ Source and date of the requisition;

□ Account(s) to be charged;

□ On each item: Quantity, Unit stock number, description, unit price, and total rand value.

Processing should be done online in all the times prior to the issuing of any stock item.

(iii) Shelving

Stores personnel should categorise and organise storage areas for efficient, logical, and safe storage of all supplies. Purchase requisitions for stock items

All purchase requisitions for stock items must be original and to have the signature of the Head: Supply Chain Management Unit, prior to acquisitions.

(v) Expediting of orders

Unless the delivery period is specified on the approved quotation; the general delivery date is 14 days. If the delivery conditions reflected on the purchase order form are not complied with, it should be followed up with the supplier immediately.

Order must be issued within three days of receiving requisition or earlier unless there are reasons why the order is issued late.

(vi) Damaged Goods

Damaged goods from suppliers must be returned to the supplier for credit or replacement.

(e) Stock Reviews

In order to manage the stores operations effectively, all departments should continually review their stock holding based on information such as number of issues, levels of service achieved, total value of stock held and stock turnover. Redundant and obsolete stock should be identified and cleared regularly by the relevant departments

(f) Stock Levels

The following should be determined to maintain the optimum stock levels:

(i) Minimum, maximum and re-order levels;

(ii) Slow moving or obsolete stock.

(g) Annual Stock taking Procedures

(i) Monthly random stock check, counts and investigations to be conducted and evidence be available.

(ii) Mid-year provisional stock takes to be conducted.

(iii) The last working days in May the Stores closes for year-end inventory. No requisitions are filled, and no stock items are received four (04) days before the stock count date.

(iv) Invite the provincial auditor general for observation.

(v) After the computer system has been updated, a queue batch is run providing Stores with updated printouts for actual inventory. A separate sheet is provided for each stores section. The sheet will contain stock number – complete description, quantity on hand and a column for actual count and a column for any discrepancy.

(vi) The person conducting the inventory counts all items and makes appropriate notations on the inventory sheet. At the conclusion of each section, the person dates and signs the inventory sheet.

(vii) At the conclusion of all inventory sections, all discrepancies will be double-checked. The Head: Expenditure and together with The Head: SCM Unit will make appropriate adjustments and the Chief Financial Officer will approve all such adjustments to correct inventory records to actual count.

(viii) All printouts, original documents, work papers, adjustments, and corrected inventory printouts are placed on file in Stores Office.

31. Disposal Management

(1) The Municipal Council will dispose assets using the following ways –

(a) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

(b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge

(c) Selling the asset at market related price or auction

(d) Destroying the asset if obsolete

(2) A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal service

(3) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection 7.2 but only after the municipal council, in a meeting open to the public (a) Has decided on a reasonable ground that the asset is not needed to provide the minimum level of basic municipal services

(4) A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal service, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.

(5) Any transfer of ownership of a capital asset in terms of subsection 7.2 must be fair, equitable, transparent, and competitive.

(6) Section 7.1 to 7.4 above does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with the prescribed framework.

(7) Following are conditions under which the capital assets may be sold

(a) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.

(b) Only the executive committee or executive mayor will recommend to Council
Decision to expropriate immovable property or rights in or to immovable property.

(c) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the municipality

(d) In the case of the free disposal of computer equipment, the local department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and

(e) In the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic.

(8) Immovable property will be let under the following conditions:

(a) Market related rates should be used except when the public interest or the plight of the poor demands otherwise

(b) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be annually reviewed

(9) Where assets are traded in for other assets, the highest possible trade-in price should be negotiated.

(10) The 80/20- or 90/10-point system will apply to competitive bidding, which relate to the sale or letting of assets respectively, depending on the value of the asset.

32. Risk Management

(1) Accounting officer should in the implementation of this policy develop a risk Management plan in order to address the following factors:

(a) Risk Identification: Identify risks associated with the project on a case-by-case basis (ii) Risk Assessment: The likelihood and magnitude of the risks.

(b) Risk Mitigation: Strategies for pre-empting and treating the occurrence of risk.

(c) Risk Allocation: detailing responsibility for managing a risk to the party best suited to manage such risks.

(d) Acceptance of the cost of the risk: Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it

(e) Management of risks: In a pro-active manner and the provision of adequate cover for residual risks

(f) Monitor and Control: Identify new risks as they emerge

(2) In order to reduce the risk on contract, the accounting officer must include the provision of sureties for the due performance on a contract and retention of a portion of moneys due to a contract.

(3) The following sureties, guarantees, insurance, retention and penalties are applicable:

CATEGORY	VALUE	SURETY	CONSTRUCTION GUARANTEE	ALL RISK INSURANCE	RETENTION & PERIOD	PENALTIES PER DAY
MICRO PROJECTS	300 001 - 500 000	5%	FIRST 3 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	5% REDUCED TO 2,5% FOR 12 MONTHS	0,2%
SMALL PROJECTS	500 001- 2 000 000	10%	FIRST 3 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	10% REDUCED TO 5% FOR 12 MONTHS	0,04%
MEDIUM PROJECTS	2 000 001 - 10 000 000	10%	FIRST 3 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	10% REDUCED TO 5% FOR 12 MONTHS	0,06%
LARGE PROJECTS	ABOVE 10 000 000	10%	FIRST 5 CERTIFICATES OR BANK GUARANTEE	CONTRACTOR	10% REDUCED TO 5% FOR 12 MONTHS	0,1%

(4) Service providers should be subject to disqualification if there is sufficient evidence of consistent failure to meet the standards specified by the Municipality.

(5) Service providers should be evaluated based on contract adherence and performance. Upon reasonable notice in writing to the service provider involved, and after a reasonable opportunity for response, a service provider should be disqualified for a period not exceeding five years from participation in a solicitation for goods and services. Service provider should be disqualified if:

(i) Serious breach of contract indicating unwillingness to perform a contract in accordance with the terms and conditions.

(ii) An indication of lack of business integrity or honesty which directly and serious effects the responsibility of the contractor.

33. Performance Management

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.

Contract Management.

(1) *Service Level Agreements*

Contracts concluded for the procurement of goods and services should be made subject to the conclusion of a Service Level Agreements.

(2) Contract agreement of the municipality must - be in writing;

(a) stipulate the terms and conditions of the contract which must include provisions providing for -

(i) Termination of the contract or agreement in a case of non or under performance (ii) Dispute resolution mechanism to settle disputes between parties (iii) a periodic review of the contract.

(3) Contracts having future budgetary implications

1 A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if—

(a) the municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved—

(i) has, in accordance with section 21A of the Municipal Systems Act—

(aa) made public the draft contract and an information statement summarising the municipality's obligations in terms of the proposed contract; and

(bb) invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and

(ii) has solicited the views and recommendations of—

(aa) the National Treasury and the relevant provincial treasury;

(bb) the national department responsible for local government; and

(cc) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;

(b) the municipal council has taken into account—

(i) the municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;

(ii) the impact of those financial obligations on the municipality's future municipal tariffs and revenue;

(iii) any comments or representations on the proposed contract received from the local community and other interested persons; and

(4) *Extension/Expansion of Contracts*

4.1 It is recognized that, in exceptional cases, an accounting officer may deem it necessary to expand or vary order against the original contract.

4.2 Contract(s) may be expanded or varied by not more than 20% or R20 million (including all applicable taxes) for construction related goods, works and/or services of the original value of the contract, whichever is the lower amount.

4.3 any deviation in excess of these thresholds will only be allowed subject to prior approval of relevant treasury. Whilst provision is made for deviations, it is imperative to note that requests for such deviations may only be submitted to the relevant treasury where good reasons exist.

(5) *Orders*

Supplies should be delivered and services rendered only upon a written official order from the Municipality, and accounts should be rendered as indicated on the official order or in the contract, as the case may be.

(6) Guarantees

Unless the contract stipulates otherwise, the contractor should guarantee for a period of twelve months that no faulty material or workmanship was used in the manufacture of goods or in the

execution of services and that the finish product is not defective. Should

the guarantee not be compiled with, the Municipality must, without prejudice to any other rights it may have, demand that the supplies are replaced and the services repaired without cost to the Municipality.

(7) Payment for Supplies and Services

(1) Subject to any instructions issued with a contract or order, a contractor should be paid for supplies delivered and services rendered in accordance with the under-mentioned provisions:

(a) On the basis of delivery into store or to another nominated destination, only after receipt of a detailed account and after delivery has been affected.

(b) On the basis of delivered and erected, installed, etc., only after receipt of a detailed account supported by a certificate of satisfactory execution issued by a Municipality agent.

(c) Payment should normally be affected within 30 days of receipt of all the required documentation, which should be correct in every respect. Should a contractor indicate a special discount on his/her account provided payment is made within a certain time, every effort should be made to take advantage of such discount.

(d) As a rule, payment is made to the contractor only. When payment is claimed by another party the latter must produce a written transfer, power of attorney or authorisation and, before payment is made, the contractor must confirm that the transfer, power of attorney or authorisation has been given by him/her and that payment may be claimed in terms thereof.

(8) Remedies in case of death, sequestration, liquidation or judicial management.

(a) In the event of the death of a contractor or the provision or final sequestration of his/her estate or of his/her cession or transfer of a contract without the approval of the Council or of the surrender of his/her estate or of his/her reaching a compromise with his/her creditors or of the provisional or final liquidation of a contractor's company or the placing of its affairs under judicial management, the Council must, without prejudice to any other rights it may have, exercise any of the following:

(b) Cancel the contract and accept any of the bids, which were submitted originally with that of the contractor or any offer subsequently received to complete the contract. In such a case the estate of the contractor shall not be relieved from liability for any claim which has risen or may arise against the contractor in respect of supplies not delivered or work not carried out by him/her under the contract, and the Council shall have the right to hold and retain all or any of the securities and retention moneys held by it at the date of the aforesaid occurrences until such claim has been satisfied; or

(c) Allow the executor, trustee, liquidator or judicial manager, as the case may be, for and on behalf of and at the cost and expenses of the estate of the contractor to carry on with and complete the contract.

(9) Contractor's Liability

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

The contractor must be held responsible for any consequential damages and loss sustained which may be caused by any defect, latent or otherwise, in the supply or service rendered or if the supply or service as a result of such defect, latent, otherwise, does not conform to any

condition or requirement of the contract.

(10) Transfer of Contracts

The contractor must not abandon, transfer, assign or sublet a contract or part thereof without the written permission of the Council.

Part 4: Other Matters

35. Declarations

(1) a bidder must, in the stipulated manner, declare that

(a) The information regarding any claim from preference points provided is true and correct;

(b) The signatory to the bid document is duly authorised; and

(c) Documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

36. Penalties

(1) where a contract has been awarded on the strength of preference information furnished by the contractor, which, after the conclusion of the relevant contract, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may have to –

(a) Recover from the contractor all costs, losses or damages incurred or sustained by the Municipality as a result of the award of the contract; and/or

(b) Cancel the contract and claim damages which the Municipality may suffer as a result of having to make less favourable arrangements; and/or

(c) Impose on the contractor a penalty not exceeding five per cent of the value of the contract.

(2) Where an award has been made and a contractor fails to make arrangement with the municipality and further delays or fails to deliver the services; the following will be applicable:

(a) The order will be cancelled and where time allows a re- evaluation will be made,

(b) The provider will be listed in the municipality's book of defaulters and will be restricted to do business with the municipality for six (06) months.

37. Prohibition on awards to persons whose tax matters are not in order

(1) The Municipality should not award a contract above to a person whose tax matters has not been declared by the South African Revenue Services to be in order.

(2) No contract should be awarded to a person who failed to submit a valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of that person are in order or that suitable arrangements have been made with SARS.

38. Prohibition on awards to persons in the service of the State

(1) No award must be given to a person irrespective of the procurement process followed in terms of this Policy-

(a) Who is in the service of the state; or

(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

39. Awards to close family members of persons in the service of the State

The notes to the annual financial statements must disclose particulars of any award of more than R2000.00 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

40. Ethical Standards

(1) A code of ethical standards is hereby established, in accordance with subparagraph (2), for officials and other role players in the supply chain management system in order to promote –

(a) Mutual trust and respect; and

(b) An environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of the supply chain management policy –

(a) Must treat all providers and potential providers equitably;

(b) Must not use his/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 R350.00;

(d) Notwithstanding subparagraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or any close family member, partner or associate of that person;

(e) Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or any award of a contract by the Municipality;

(f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

(g) Must be scrupulous in his or her use of property belonging to the Municipality;

(h) Must assist the Accounting Officer in combating fraud, corruption, unfair and irregular practices in the supply chain management system;

(i) Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –

(ii) Any alleged fraud, corruption, unfair conduct;

(iii) Any alleged contravention of paragraph (5)(1) of this policy; or

(iv) Any alleged breach of this code of ethical standards.

(3) Declarations in terms of subparagraph (2)(d) and (e) –

(a) Must be recorded in a register, which the Accounting Officer must keep for this purpose;

(b) By the Accounting Officer must be made to the Executive Mayor of the Municipality who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must be adopted and also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of ethics must be dealt with as follows –

(a) In the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67 (1) (h) of the Municipal Systems Act;
(b) In the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
(c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

41. Inducements, rewards, gifts and favours to municipality, officials and other role players

(1) No person who is a provider or prospective provider of goods or services, or a recipient of goods disposed or to be disposed of must 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 the supply chain management policy.

(2) The Accounting Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for consideration 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 R350.00 in value.
(4) All gifts to SCM officials must be declared in the gift register available in supply chain management unit.

42. Sponsorships

The Accounting Officer must promptly disclose to the National Treasury and the Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
(a) A provider or prospective provider of goods and services; or
(b) A recipient or prospective recipient of goods disposed or to be disposed.

43. Objections and complaints

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.

44. Resolution of disputes, objection, complaints and queries

(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 systems; 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.

45. Contracts providing for compensation based on turnover

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

(b) That such compensation must be performance based.

46. Empowerment for youth, women, HDI's and local business

Preference points in municipal tenders will be appropriated according to the Preferential Policy Framework 2017 wherein points will be given in accordance with the specific goals described in this policy

47. Records keeping and reporting

(1) Record of all goods and services procured must be kept.

(2) SCM will be held responsible for the recording of the following Information / documents:

a) List of bids received per bids number,

b) Formal written quotation and their status,

c) Formal complaints register

d) All cases of fraud or corruption reported

e) Gifts register for SCM

f) Stock take reports

(3) (a) All formal quotations / bids awarded above R100 000.00(Vat incl) must be reported to National treasury on monthly basis.

(b) All deviations with supporting approved memo should be reported quarterly to the accounting officer.

(4) Clear reporting templates should be used and correctly populated with accurate data to be a true reflection of the content of awards.

PART 5: PREFERENTIAL PROCUREMENT REGULATIONS, 2022

1**. Identification of preference point system**

(1) A municipality must, in the tender documents, stipulate—

(a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7 of PPPFA;

(b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

(2) If it is unclear whether the 80/20 or 90/10 preference point system applies, A municipality must, in the tender documents, stipulate in the case of—

(a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

(b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

2. 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

(1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

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

Where –
Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmin = Price of lowest acceptable tender

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

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

3. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

(1) The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

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

Where –
Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

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

4. 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

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

$$Ps = 80\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where –
Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender.

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

5.90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

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

$$Ps = 90\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where –
Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender.

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

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

6. Specific

The points scored for the specific goal must be added to the points scored for price and the total must

2(1)*(f)* of the Act, the contract must be awarded to the tenderer scoring the highest points

The table below depicts how specific goals will be awarded as amended in the SCM policy:

Historically Disadvantaged Individuals - HDI	**80/20 Preferential Point System**	**90/10 Preferential Point System**	**Means of Verification**
	20	**10**	
Race – people who are Black, Coloured or Indian	**6**	**3**	**CSD report and Certified Copy of Identification Documentation**
Local Economic Development	**4**	**2**	**Company head office residence within Mogalakwena Municipal Jurisdiction as per CSD and proof of residence**
Gender - Women	**3**	**1**	**CSD report and Certified Copy of Identification Documentation**
Youth	**4**	**2**	**CSD report and Certified Copy of Identification Documentation**
Disability	**3**	**2**	**Certified copy of Doctor's Certificate with medical practice number**

Criteria for breaking deadlock in scoring

1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.

(2) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

An organ of state may, before the award of a tender, cancel a tender –

(1) Due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;

(2) Funds are no longer available to cover the total envisaged expenditure;

(3) No acceptable tender is received; or

(4) There is a material irregularity in the tender process

Remedies

(1) If an organ of state is of the view that a tenderer submitted false information regarding a specific goal, it must —

(a) inform the tenderer accordingly; and

(b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.

(2) After considering the representations referred to in sub-regulation (1)(b), the organ of state may, if it concludes that such information is false—

(a) disqualify the tenderer or terminate the contract in whole or in part; and

(b) if applicable, claim damages from the tenderer.

Policy Review

This policy will be reviewed annually or during changes in legislation, Circulars and guidelines

The National Treasury may issue –

(a) A circular to inform organs of state of any matter pertaining to the policy; or

(b) A guideline to assist organs of state with the implementation of any provision of the policy

Part B

Supply Chain Management

Infrastructure Procurement Policy

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Scope

This policy establishes Mogalakwena Local 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 *Mogalakwena Local 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.

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 Mogalakwena Local Municipality that acts on Municipality's behalf in the application of this document

Authorised person: the Accounting officer 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

General requirements[1]

3.1 Delegations

3.1.1 The Council of Mogalakwena Local Municipality hereby delegates all powers and duties to the Accounting officer which are necessary to enable the Accounting officer to:

[1] This clause is required to ensure that the standard is linked to the policy and aligned with the MFMA SCM Regulations.

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

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 Accounting officer of Mogalakwena Local Municipality[2]

3.1.3 The Accounting officer 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 Mogalakwena Local Municipality, to the council of the Municipality within 20 days at the end of each financial year, submit a report on the implementation of this policy to the board of directors, who must then submit the report to the municipal manager of Mogalakwena Local Municipality for submission to the council;

b) Whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the board of directors, who must then submit the report to the municipal manager of Mogalakwena Local Municipality for submission 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 all the applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.[3]

3.2.2 Pre-feasibility and feasibility reports are required on . . . . [4]

3.2.3 Stages 3 to 7 are required for . . . . [5]

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[2] SCM Regulation 36 of the MFMA permits deviations from, and ratification of minor breaches or procurement processes.

[3] Any deviation to the provisions of this standard must be reported to National Treasury and the relevant treasury.

[4] 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.

[5] 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.

3.3 Supervision of the infrastructure delivery management unit[6]

The Infrastructure Delivery Management Unit shall be directly supervised by the chief financial officer.

3.4 Objections and complaints[7]

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[8]

3.5.1 The accounting officer shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the 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 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 Director Corporate 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 accounting officer 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.

Control framework for infrastructure delivery management[9]

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables[10]

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[6] 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.

[7] This clause aligns with SCM Regulation 49 issued in terms of the MFMA.

[8] This clause aligns with SCM Regulation 50 issued in terms of the MFMA.

[9] This clause is required to ensure compliance with the requirements of the standard.

[10] 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

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Additional gates[11]

The following additional gates shall apply:

. . . . . .

4.3 Additional requirements[12]

The following additional requirements apply:

. . . . . .

4.4 Gateway reviews

4.4.1 Gateway reviews for major capital projects above a threshold

4.4.1.1 Accounting officer 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:[13]

4.4.2 Elective gateway reviews[14]

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 and accepting end stage deliverables**
No	**Name**	
0	Project initiation	*[Designated person]* accept the initiation report
1	Infrastructure Planning	*[Designated person]* approve the infrastructure plan
2	Strategic resourcing	*[Designated person]* approve the delivery and / or procurement strategy
3	Pre-feasibility	*[Designated person]* accept the pre-feasibility report
	Preparation and briefing	*[Designated person]* accept the strategic brief
4	Feasibility	*[Designated person]* accept the feasibility report

institution's infrastructure. It may also have to differentiate between the value and type of projects.

[11] 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..

[12] 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.

[13] Delete or add in any additional requirements.

[14] 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 and accepting end stage deliverables
No	**Name**	
5	Concept and viability	*[Designated person]* accept the concept report
6	Design development	*[Designated person]* accept the design development report
7	Design documentation – 6A Production information	*[Designated person]* accept the parts of the production information which are identified when the design development report is accepted as requiring acceptance
	Design documentation – 6B Manufacture, fabrication and construction information	The contract manager accepts the manufacture, fabrication and construction information
8	Works	The contract manager certifies completion of the works or the delivery of goods and associated services
9	Handover	The owner or end user accepts liability for the works
10	Package completion	The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract *[Designated person]* accept the close out report

Control framework for infrastructure procurement[15]

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.

[15] This clause is required to ensure compliance with the requirements of the standard.

[16] 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.

[17] 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.

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: 16

……. 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;

a) the authorised person 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.

Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement[17]

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 councillor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a 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 characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 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 Accounting officer 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 standards; 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 the 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.	……
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	……
3	Solicit tender offers	3.2 **PG3**	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement documentation committee
		3.3 **PG4**	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	*[designated person e.g. programme or financial manager]*
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	……
		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	Tender committee ……
5	Award contract	5.3 **PG7**	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	……
		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	……

* 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	Accounting officers
		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	Accounting officers
		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[16]	Approve amount of time and cost overruns up to the threshold	Accounting officers
		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 the threshold	Accounting officers
		6.8 **PG8E**	Obtain approval to cancel or terminate a contract	Approve amount	Accounting officers
		6.9 **PG8F**	Obtain approval to amend a contract	Approve proposed amendment to contract	Accounting officers

[16] 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 those quotations be invited	…… ……
3 **FG2**	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	…… ……
4 **FG3**	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	…… ……
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	…… ……

6.1.1.3 Evaluation committee

6.1.1.3.1 The Accounting officer 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 the Municipality with requisite skills. Other members shall include a supply chain management practitioner[17] 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 accounting officer of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Tender committee[18]

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate:[19]

a) *[title of post]* who shall be the chairperson:

b) *[title of post]* ……

c) *[title of post]* ……

[17] A supply chain management practitioner in the context of infrastructure delivery includes a built environment professional

[18] 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

[19] 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.

d) etc……..

6.1.1.4.2 No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The tender 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 authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

6.1.1.4.4 The tender committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

6.1.1.4.5 The tender committee shall consider the merits of an unsolicited offer and make a recommendation to the accounting officer.

6.1.1.4.6 The tender committee shall report to the accounting officer 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 tender 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 tender 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 authorised person shall, if the value of the contract inclusive of VAT is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the tender committee, and either:

a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or

b) decide not to proceed or to start afresh with the process.

6.1.2.2 The authorised person shall immediately notify the ……. 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, of the reasons for deviating from such recommendation.

6.1.2.3 Issuing of an order

The authorised person 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 committee or the *designated person* 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[20]

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of the 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.

[20] 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

6.1.3.1.2 All personnel and agents engaged in the municipality ‘s infrastructure delivery management system shall:

a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;

b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;

c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;

d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;

e) ensure that resources are administered responsibly;

f) 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 the 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 the 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 Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and

b) not participate in any activities that might lead to the disclosure of the municipality proprietary information.

6.1.3.2.2 The employees and agents of the Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3 Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in *the Municipality*'s interest to do so, submit a tender for work associated with such documents provided that:

a) The 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 the Municipality.

6.1.3.3.2 The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of the Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 The 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 the Municipality's confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of the Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of the *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 the municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4 All employees and agents of the 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 Accounting officer.

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 the municipality shall without delay report to the Accounting officer 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 the municipality shall promptly report to the Accounting officer 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[21]

The Accounting officer 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[22]

6.1.5.1 Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;

b) a member of the board of directors of any municipal entity;

c) an official of any municipality or municipal entity;

d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

e) 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 the 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.

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[21] 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.

[22] The clause aligns with SCM Regulation 44 issued in terms of the MFMA.

6.1.6 Collusive tendering[23]

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[24]

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
c) had their contract terminated for reasons within their control without reasonable cause;
d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards the Municipality; or
f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of the Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

a Chief accounting officer shall prepare a report on the matter and make a recommendation to the Accounting officer for placing the contractor or any of its principals under restrictions from doing business with the Municipality.

6.1.7.2 The [Accounting officer] 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 the Municipality for a period of time.

6.1.7.3 The supply chain management shall:

[23] 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.

[24] This sub-clause is aligned with the requirements of SCM Regulation 38 issued in terms of the MFMA.

a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of the 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 Municipality's infrastructure delivery management system shall be addressed to the accounting officer. Such complaints shall be in writing.

6.1.8.2 The Director *Corporate department* shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the *Accounting officer* who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal[25]

6.2.1.1 The Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;

b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;

c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for the 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 accounting officer finds the reasons for not going through a normal tender process to be sound.

6.2.1.2 The accounting officer 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 municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;

b) the municipality' has obtained comments and recommendations on the offer from the National Treasury and provincial treasury;

[25] The clause aligns with SCM Regulation 37 issued in terms of the MFMA.

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 accounting officer 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[26]

6.2.2.1 SARS tax clearance

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, SARS has confirmed that such a person is not required to prove their tax compliance status.

6.2.2.2 Municipal rates and taxes[27]

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 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 municipality's website and on the National Treasury eTender Publication Portal.[28] Advertisements shall be placed by

…….

[26] This sub-clause aligns with the provisions of SCM Regulation 43 issued in terms of the MFMA. .

[27] This subclause aligns with the provisions of SCM Regulation 38 issued in terms of the MFMA.

[28] 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.

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

……..

6.2.4.3 Where deemed appropriate by ..... 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 *[name of designated person].*

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 [Accounting officer.

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[29]

6.2.5.1 The accounting officer 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 chief financial officer shall publish within 7 working days of the award of a contract the following on the municipality's website

a) the contract number;
b) contract title;
c) brief description of the goods, services or works;
d) the total of the prices, if practical;
e) the names of successful tenderers and their B-BBEE status level of contribution;
f) duration of the contract; and
g) brand names, if applicable.

6.2.5.3 The chief financial officer 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 chief financial officer

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.

[29] 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.

The notification shall be made by placed by chief financial officer.

6.2.6 Disposal committee

6.2.6.1 The accounting officer 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 the municipality.

6.2.6.3 The disposal committee shall make recommendations to accounting officer who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, and decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

Accounting officer shall submit any reports required in terms of the standard to the National Treasury or provincial treasury.

Infrastructure procurement

7.1 Usage of procurement procedures[3031]

7.2 Procurement documents

7.2.1 The forms of contract that may be used are as follows:

Form of contract[32]	**Code**	**Usage**

7.2.2 The 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 accounting officer 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.[33]

7.2.5 The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

[30] Delete this clause if there are no restriction. Amend if there are specific circumstance under which a procurement procedure is to be used.
[31] Reproduce from Table 11 of the standard the forms of contract which the municipality or municipal entity wishes to make use of.
[32] Reproduce from Table 11 of the standard the forms of contract which the municipality or municipal entity wishes to make use of.
[33] This sub-clause aligns with SCM Regulation 21 issued in terms of the PFMA.

a) consultancy services;[34] and

b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.[36]

7.3 Developmental procurement policy[37]

The[35] following specific goals shall be proposed:

7.4 Payment of contractors[36]

The 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[37]

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) Accounting officer shall authorise the use of the negotiated procedure above the thresholds provided in the standard.

b) Accounting officer 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[36].

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is accounting officer.

7.6 Receipt and safeguarding of submissions[37]

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.[42]

7.6.2 The tender box shall be fitted with two locks and the keys kept separately by two supply chain managers. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7 Opening of submissions[38]

[34] The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA. [36] The clause aligns with SCM Regulation 35(3) issued in terms of the MFMA.

[35] State specific goals that may be promoted.

[36] The Section 65 of the MFMA requires Accounting officers to settle all contractual obligations and pay all money owing within 30 days of receiving the relevant statement or invoice.

[37] This clause is necessary to enable the standard to be implemented.

7.7.1 Submissions shall be opened by an opening panel comprising two people nominated by *[designated persons]* 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.

36 7.5.1 c) is an optional statement and needs to be deleted if this control is not required.
37 This section may not be necessary if the policy for general goods and services already covers these requirements. [42] Modify as necessary. Preferably describe the location and accessibility of the box.
38 This section may not be necessary if the policy for general goods and services already covers these requirements.

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 7.7.3h).

7.7.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

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[38]

The 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 [Accounting officer shall make the necessary application to that organ of state to do so.

7.9 Insurances[39]

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract.[40]

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 accounting officer.

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[41]

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

[38] This clause aligns with SCM Regulation 32 issued in terms of the MFMA and clause 7.3 of the Standard.
[39] Align with the manner in which the municipality or municipal entity wishes to manage risk.
[40] Alternatively state that the insurances shall be principal or employer controlled.
[41] Modify as necessary

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 accounting officer.

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 accounting officer in relation to the nature of the service that they provide.

.

7.9.6 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 the 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 a ……...

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[42]

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 municipality’s Information Manual which establishes the procedures to be followed and the criteria that have to be met for the “requester” to request access to records in the possession or under the control of the municipalities.

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.

[42] Amend as necessary

ANNEXURE R

Fleet Management Policy

Effective from 1 July 2024

Reviewed / Approved By	Date	Signature
Chief Financial Officer		
Municipal Manager		
Council		

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1. GENERAL

1.1 The concept of “Council Vehicles”

In terms of these prescriptions and procedures, all vehicles which are the Council's property, whether self-propelled or not, are deemed to be council vehicles.

1.2 The driving of Council Vehicles

Only officials in the Council's service who are properly authorised thereto may drive Council Vehicles.

1.2.1 Driving of Council Vehicles

An Official will be authorised to drive a Council Vehicle subject to the following requirements:

1.2.2 1. The official must be in possession of a valid driving license, issued by a licensing authority, which authorised the driving of a type, and class vehicle as described by the type of licence issued and a public licence permit if applicable.

2. Irrespective of the license referred to above, an official may only drive a Council Vehicle if he/she has been tested by the Council and declared capable to drive the relevant or similar vehicle.

3. Drivers of Council Vehicles must have their eyes tested annually. Results thereof must be submitted to his/her Department and the Occupational Health and Safety Officer. The driver's valid license must be taken with him/her on the day of the eye test.

4. A licensing code will be indicated on the official's Council ID and his license must be available at all times when driving a Council Vehicle.

5. All testing results and copies of driver's licences should be filed in the personnel file.

1.2.2 Authorisation to drive Council Vehicles

1.2.2.1 If an official's licence, regardless of the period, is declared invalid or by a court of law or any other instance, which has the authority to do so, the head of his/her department must be informed immediately and the relevant official may no longer drive a Council Vehicle. The same principle will apply when an official has been declared incompetent to drive a Council Vehicle by way of disciplinary action. The relevant results must be submitted to the Council, Department and Occupational Health and Safety Officer.

1.2.3 Vehicle Issue Register

1.2.2.2 The vehicle issue register must be verified and completed by the relevant driver on a daily basis. The register (inventory) is issued to a specific Mogalakwena Municipal vehicle and may not be removed from the vehicle. (Refer to annexure A).

1.3 Utilisation of Council Vehicle

a. Council vehicles may only be used or applied in the Council's service.

b. Municipal area.

c. A person on standby is allowed to be in possession of the council vehicle after hours and that person shall be accountable for the safeguarding of the vehicle.

d. No vehicle is allowed out of the boundary of the Municipal area without written approval and consent of the Head of the Department or the authorized official.

e. For routine or planned trips performed on an ongoing basis, a schedule should be drafted indicating the vehicle, the route and the driver and this schedule reconciled to the vehicle kilometres on a weekly basis by the fleet divisional manager. This will assist in identifying abuse of vehicles.

f. For non-routine trips such as service delivery vehicles, the usage log should be reviewed for any indications of abuse of the vehicles on a weekly basis.

1.3.1 **Fuel economy**

It is expected of a driver of Council vehicles to drive "**effectively**" at all times so as to save fuel. The driver's attitude regarding the actual driving of a vehicle determines the Council's monthly fuel expenditure.

1. Every month the fleet divisional manager or responsible persons n each department will provide each department with a fuel deviation report, which must be investigated for possible corrective action against drivers. Results must be submitted to the Head of Departments for cognisance.

2. The manufacturer's recommended tyre pressure is of utmost importance and must be checked every week while the tyres are still cold, as this ensures fuel economy. This action forms part of the pre-travel inspection.

1.3.2 **Schedule of alteration (Refer to page 3 of Vehicle Register)**

The schedule of alteration must be completed by the operator before driving the vehicle. If operators alternate, the previous and new operator must sign in column E at both sections (a) [previous] and (b) [new] of the schedule of alteration so as to ensure accountability for defects, which also includes inventory shortages.

1.3.3 **Retention of fuel receipts and reconciliation to bank statements**

All fuel receipts should be retained by municipal officials and handed over to the fleet divisional manager for reconciliation. On a monthly basis, the bank statements should be reconciled against petrol receipts and kilometres travelled per vehicle. This should be reviewed by the fleet divisional manager and any discrepancies investigated further.

1.3.4. **Liability for Fines**

The driver will be liable for all fines except for the unroadworthy car provided that the car

had to be driven because of emergency situation:

1.4 **Transport of passengers**

Persons who are not in the Council's employ may not be transported in a Council vehicle. The exception to the rule is when an official has to transport persons during the execution of his duties, i.e. patients in ambulances and in other instances relevant to the specific duties. The Finance Department must arrange special insurance when private persons are transported in Council vehicles. **Co-travelling may be arranged among officials**. In any other circumstances, the Head of Department's written permission must be obtained and a copy thereof be submitted to the Occupational Health and Safety Officer.

Council employees may only be transported if the following requirements are adhered to:

1.4.1 No person may be transported if the vehicle is not provided with a purpose made seat, with the exception of the following:

1. Transport of employees in the carriage of vehicles is permitted subject to the following conditions:

a. Persons in transit may under no circumstances sit on the edge of the carriage, irrespective of whether the vehicle is moving or not.

b. No person is permitted to remain standing on the carriage of a vehicle.

c. Transport of persons in a carriage without proper sides is not permitted.

d. When persons are transported in a carriage of a vehicle, no part of the body may protrude at the edges of the carriage. Persons must ascend and descend the vehicle in a proper manner and no jumping down from the parked vehicle is allowed.

e. If persons as well as machinery, equipment (including tools) or any items are transported, it must be ensured that:

1. The driver's view in the rear-view mirror is not impeded.

2. In either reverse or forward gear, the trailer may not move horizontally (at least 65 degrees).

3. The cargo may not protrude more than 1,8m at the back, 300mm in front and 150mm at the sides.

4. The load is properly secured (no loose equipment is permitted).

5. The load does not leak onto soil or a public road.

6. The load or material be spread evenly over the entire surface of the trailer, and may not exceed less than 80kg or more than 100kg on the trailer hook.

7. If single items are transported, the load be situated as near as possible to the length of the axle.

8. The load may not exceed the gross vehicle mass as indicated on the weight chart of the trailer or vehicle.

g. No person be transported in the carriage of a tipper vehicle.

h. The responsibility to adhere to the above requirements or any other prescriptions pertaining to the safety of passengers lies with the driver of the vehicle.

1.5 **Traffic Rules**

It is at all times expected of the driver of a Council vehicle to adhere to the traffic rules and prescriptions as contained in the Road Traffic Act, 93 of 1996, which includes goods and persons.

1.6 **Reverse with Council vehicles**

When reversing a Council vehicle, the following rules must be complied with:

1. The driver of the Council vehicles must ensure that the area behind the vehicle is clear of any other vehicles, equipment, etc.

2. In case of a heavy vehicle, a second person must take position outside the vehicle to assist the driver by way of hand signals, to reverse the vehicle in a proper and safe manner.

1.7 **Tidiness of Council Vehicles**

It is the driver's responsibility to ensure that Council vehicles are kept clean and tidy at all times. Except for official emblems and Mogalakwena Municipalities numbers, no other advertisements of any nature may be affixed to the vehicle unless the department head or the head of vehicles grant permission.

1.8 **Vehicle Logbooks**

The driver of the Council vehicle is responsible for the proper completion and recording of vehicle logbooks (log sheets).

1.8.1 The log sheet assimilation must be submitted to the fleet divisional manager or responsible persons in each department every end of the month for every vehicle from the responsible official.

1.8.2 If a vehicle in your department has not been used during the month it must still be recorded on the log sheet ("not used") and submitted to the Transport Manager or responsible persons in each department.

1.8.3 If an additional pool vehicle is hired, all information must be recorded on the logbook provided for this purpose and the same procedure as stated above must be followed.

1.8.4 All log sheets must be verified properly and signed by the responsible person or supervisor so as to ensure that the information is correct.

1.9 **Safeguarding of Council vehicles at private residences**

The driver undertakes:

1. To maintain the vehicle in the condition he received it.

2. To ensure that the vehicle is locked away in an enclosed area / yard at all times while not being used for official duties.

3. That the vehicle will not be used for private purposes and that no private persons will be transported unless his official duties require otherwise.

4. That no private work will be done on any part, equipment or mechanical modifications of the vehicle.

5. That no radio/speakers or any private equipment will be installed in the vehicle, unless the Head of Department and the Transport Manage or responsible in each department grant permission to do so.

6. To keep the vehicle tidy and clean at all times.

7. That damage and defects will be reported immediately.

8. That change of address will be reported immediately.

Refer to annexure B.

The annexure must be completed and signed and placed on the official's personal file and a copy thereof must be forwarded to the Occupational Health and Safety Officer.

1.10 **Safeguarding of vehicle keys**

1. If a vehicle is not being used, the keys will be removed and handed to the Transport Manager or responsible persons in each department.

2. When a vehicle overnights in a department's yard or storage site, the keys must be removed and handed in to Transport Manager / responsible person.

3. The Transport Manager or responsible persons in each department will lock the keys away in a lockable enclosure.

4. The vehicles' spare keys are the responsibility of the responsible Transport Manager or responsible persons in each department.

5. A register must be kept for the issuing and receiving of keys by the Transport Manager or responsible persons.

6. For Vehicles required to be utilised after hours a memo/roster should be created and signed for by officials that will be in control of Council vehicles after hours. The following details should be included:

a. The vehicle registration number
b. Name of official
c. Signature and date

d. Purpose
e. Approval by the fleet manager and responsible supervisor

2. VEHICLE MAINTENANCE

2.1 Pre-travel inspections

It is the responsibility of a driver of a Council vehicle to execute the pre-travel inspections on a daily basis as referred to on page 2 of the vehicle register, and apart from its scheduled services, inspect the vehicle for defects. Where applicable all grease points to be greased every week.

The Transport Manager or responsible persons in each department, Supervisor or Head of Department undertake to conduct test-checks from time to time to determine whether pre-travel inspections are carried out regularly and thoroughly. Any deviations will be reported to the Head of Department and it is expected of the relevant Head to institute corrective action against transgressors.

2.2 Reporting of vehicle defects

2.2.1 When a defect of fault to the vehicle occurs, irrespective of whether it affects the roadworthiness of the vehicle or not, it must be recorded immediately on the statement of defects (refer to page 4 of the vehicle register) and the relevant department must report the matter to the fleet divisional manager or responsible persons in each department as soon as possible by way of an internal job order. The vehicle must be taken by the operator to the appropriate dealer to be repaired.

2.2.2 The statement of defects referred to above, must be completed and signed by the relevant operator and the fleet divisional manager or responsible persons in each department. (Refer to page 4 and 5 of the vehicle register).

2.2.3 All defects should be submitted to management for follow up. The follow up should be performed regularly for the defects reported by seniors with Management.

2.3 Handling of vehicles / equipment

All Council vehicles, including any fixed equipment on vehicles like cranes, power sources, pumps, etc., may under no circumstances be handled in such a manner that could result in excessive erosion or breakage of the equipment or which could cause decreased durability. No person may use specialised equipment or any crane vehicle without the necessary permission and proper training.

2.4. Approval of vehicle maintenance

The Transport Manager should also perform a maintenance analysis against market cost to date on a regular basis. The analysis report should be submitted to Council for information and noting.

2.5. Review of Service books

Transport Manager or delegated officials will review the service books on a regular basis, but

at least annually and update the asset register accordingly.

3. ACCIDENTS/INCIDENTS (Including Breakdowns)

All accidents, incidents, damage or loss to Council vehicles, irrespective of how slight it might be, must be reported immediately. Even if a Council vehicle is involved in an accident and no damage is involved, the incident must still be reported and an accident or incident dossier must be opened.

3.1 Reporting of vehicle accidents/incidents

All vehicle accidents or damage to vehicles, irrespective of how slight the damage might be, must be reported in the following manner:

1. Any official involved in an accident will immediately inform the Traffic Section, Department, Occupational Health and Safety Officer and the Transport Manager or a responsible person in each department before the vehicle is removed from the accident scene.

2. The traffic officer shall be responsible for recording of the accident/incident.

3. Immediately after the above actions have been concluded, the driver of the vehicle or responsible official shall take the vehicle to the Transport Manager or any responsible persons in each department to determine the extent of the damage and record the accident within 24 hours.

4. The Transport Manager or responsible persons in each department will record the accident in an accident register where the driver must sign so as to allocate an accident reference number.

5. The Transport Manager or responsible persons in each department will be responsible for obtaining quotations to complete the insurance claim.

6. The relevant department must inform the Occupational Health and Safety Officer of the accident.

7. The transport manager or responsible person will report to the Chief Financial Officer or delegated person with the accident reference number and his/her ID document as soon as possible within a month in hand.

8. Each Department will complete the insurance reports and submit to Finance who will forward it to the insurer.

9. The Transport Manager or responsible persons in each department will send the vehicle for repair after an approved order has been received from the Finance Department.

10. Each Department to submit a report to council with regard to accident/incident.

3.2 Reporting of breakdowns

1. All breakdowns should be recorded in a logbook with the following detail:

a. Vehicle Number
b. Registration number
c. Date of Breakdown
d. Driver
e. Location of incident

2. The responsible persons or driver in each department will be responsible for obtaining quotations to complete the insurance claim.
3. Transport Manager or delegated person will complete the insurance reports and submit to the insurer.
4. The fleet divisional manager or delegated persons in each department will send the vehicle for repair after an approved order has been received from the Finance Department and the insurer has responded to the claim.
5. Each Department to submit a report to council with regard to breakdown

3.3 Investigation of Accident/Incident/ Breakdown

All accidents / incidents/Breakdowns involving council vehicles will be investigated by a committee and if found to be negligent on the part of the driver, a disciplinary process will be instituted.

ANNEXURE "A"

VEHICLE REGISTER

VEHICLE REGISTER NUMBER_____ **PM** _____

VEHICLE TYPE _____

LICENCE CODE_____

VEHICLE INVENTORY

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

DEPARTMENTALLOCATION _____

RESPONSIBLE DRIVER _____

_____ _____

SIGNATURE

SUPERVISOR

_____ _____

SIGNATURE

DRIVERS COMPETENCE ACCESSORY

_____

DAILY VEHICLE CHECKLIST

Every driver of this vehicle will be responsible and held accountable to go through this list on a daily basis.

		M	TU	W	TH	F	S	S
a.	Leaks: oil, water and fuel							
b.	Tyres, wheel nuts							
c.	Exhaust system							
d.	Tail lights							
e.	Indicator lights							
f.	Parking, dim and bright lights							
g.	Rear view mirrors							
h.	Suspension system							
i.	Body dents							
j.	Oil level							
k.	Brake fluid level							
l.	Water level							
m.	Battery water level							
n.	Hydraulic oil level							
o.	Wiring							
p.	Wipers							
q.	Hooter							
r.	All gauges							
s.	Steering							
t.	Seats							
u.	Windows							
v.	Doors							
w.	Spare tyre + car jack							
x								
y								
z								

RESPONSIBLE DRIVER	SIGNATURE
(Print Name)	

ADDITIONAL RESPONSIBLE DRIVERS

RECORD OF OPERATOR CHANGE

This record of operator change must be completed before the operator drives this vehicle. Should a change of operator occur, both the (a) previous operator and (b) the new operator must sign the record of operator change sheet in column E in order to obtain accountability that is also to include inventory shortages.

VEHICLE RECEIVED BY		DATE REACEIVED	DISTANCE / HOUR READING	FUEL Lt	DESCRIPTION OF DEFECTS DURING OPERATOR CHANGE	E
NAME PRINTED	SIGANTURE					
						a.
						b.
						a.
						b.
						a.
						b.
						a.
						b.
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						b.

RECORD OF OPERATOR CHANGE

VEHICLE RECEIVED BY		DATE REACEIVED	DISTANCE / HOUR READING	FUEL Lt	DESCRIPTION OF DEFECTS DURING OPERATOR CHANGE	E
NAME PRINTED	SIGANTURE					
						a.
						b.
						a.
						b.
						a.
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RECORD OF OPERATOR CHANGE

VEHICLE RECEIVED BY		DATE REACEIVED	DISTANCE / HOUR READING	FUEL Lt	DESCRIPTION OF DEFECTS DURING OPERATOR CHANGE	E
NAME PRINTED	SIGANTURE					
						a.
						b.
						a.
						b.
						a.
						b.
						a.
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RECORD OF DEFECTS

During the compulsory monthly inspection carried out by the respective supervisor, this record of defects must be completed by both the responsible operator and the supervisor.

DATE ON WHICH DEFECT WAS DISCOVERED	SIGNATURE OF PERSON DISCOVERING DEFECT	DESCRIPTION OF DEFECT	DISTANCE / HOUR METRE READING	DATE REPORTED TO SUPERVISOR	SUPERVISOR'S REMARKS AND SIGNATURE

RECORD OF ROUTINE INSPECTIONS AND REPORTING OF DEFECTS TO TRANSPORT MANAGER FOR REPAIR WORK

During this record defects and shortage are listed for which the Transport Manager will sign. Should defects not be repaired immediately, the Transport Manager could request in his remarks column that the vehicle be returned at a later date for repair work to be completed. The operator of the vehicle. When receiving his vehicle, must make sure that all equipment to the inventory list is present in his vehicle before signing receipt thereof.

DATE SENT FOR REPAIRS	LIST OF DEFECTS AND OPERATOR'S SIGNATURE	SIGNATURE OF RECEIPT BY TRANSPORT MANAGER	ORDER NUMBER	REMARKS BY MECHANIC	DATE ON WHICH VEHICLE WAS RECEIVED BY OPERATOR

RECORD OF ROUTINE INSPECTIONS AND REPORTING OF DEFECTS TO TRANSPORT MANAGER FOR REPAIR WORK

DATE SENT FOR REPAIRS	LIST OF DEFECTS AND OPERATOR'S SIGNATURE	SIGNATURE OF RECEIPT BY TRANSPORT MANAGER	ORDER NUMBER	REMARKS BY MECHANIC	DATE ON WHICH VEHICLE WAS RECEIVED BY OPERATOR

RECORD OF ROUTINE INSPECTIONS AND REPORTING OF DEFECTS TO TRANSPORT MANAGER FOR REPAIR WORK

DATE SENT FOR REPAIRS	LIST OF DEFECTS AND OPERATOR'S SIGNATURE	SIGNATURE OF RECEIPT BY TRANSPORT MANAGER	ORDER NUMBER	REMARKS BY MECHANIC	DATE ON WHICH VEHICLE WAS RECEIVED BY OPERATOR

ANNEXURE "B"

HAND OUT AND STORAGE OF OFFICIAL VEHICLE

I, _____ in service of the Mogalakwena Municipality in the _____ section received an official vehicle.

Make and model	
Registration Number	
PM Number	
Address of storage place	

That is equipped with the following equipment:

1	X	Blue light	
1	X	Siren	
1	X	Medical Aid fully equipped	
1	X	Fire-extinguishing	
1	X	Spare Tyre	
1	X	Wheel Spanner	
1	X	Jack Screw	
6	X	Skittles	
1	X	Ladder	
1	X	Canopy	
1	X	Triangle	
5	X	Tyre numbers	
1	X	Battery	
1	X	2 Way Radio	

STATEMENT OF DRIVER

I undertake the following:

1. To maintain the vehicle in the same condition that I have received it.

2. To ensure that the vehicle is locked away in an enclosed area / yard at all times whilst not being used for official duties.

3. That the vehicle will not be used for private purposes and that no private persons will be transported unless his official duties require otherwise.

4. That no private work will be done on any part, equipment or mechanics of the vehicle.

5. That no radio/speakers or any private equipment will be installed in the vehicle, unless the Head of Department and the grant permission to do so.

6. To keep the vehicle tidy and clean at all times.

7. That damage and defects will be reported immediately.

8. That the vehicle be handed to the supervisor when I am on leave for longer than 7 days, unless arranged with the supervisor.

9. That proper completion and recording of the log sheets and other documentation always kept on date.

That if I do not carry out the rules conscientious the privilege to take my official vehicle to my house will be taken away (APPLICABLE TO STANDBY PERSONNEL ONLY).

_____ _____

SIGNATURE **DATE**

STATEMENT OF TRANSPORT MANAGER OR ANY RESPONSIBLE PERSON IN DEPARTMENT (APPLICABLE TO STANDBY PERSONNEL ONLY)

I, the undersigned certify herewith that I inspected _____ house at _____ and that he/she complies with provisions of the policy.

_____ _____

SIGNATURE **DATE**

CONDITIONS OF VEHICLE
COMMENTS

_____

_____

_____

_____

_____

SECURITY OF COUNCIL'S VEHICLES UTILISED BY PERSONNNEL ON STANDBY

FOREWORD

On 29 January 2002 an officer parked one of council's traffic vehicles at his residence while on standby. The vehicle got stolen with accompanied traffic equipment. This incident created a transport problem for traffic officers and a reliable service to the community.

On 26 August 2002 Item 23 f), council took a resolution to set a standard for the utilising of council's vehicles by standby personnel.

The resolution reads as follows:

> **"*That a policy with regard to the security of council's vehicles utilised by personnel on standby be submitted.*"**

Studying of this policy will enable all officials on standby to safeguard council vehicles in a proper manner and without any indistinctness.

CONTENTS

1. Utilization of Council's vehicles.
2. Safeguarding of Council's vehicles at private residences.
3. Safeguarding of Council's vehicles during standby and over-time hours.
4. Safeguarding of Council's vehicles during a breakdown.

1. Utilization of Council's vehicles:

a) Council vehicles may only be used or applied in the Council's service.

b) Municipal area.

c) Only one person on standby will be responsible for a Council vehicle after hours.

d) Only at a head meeting any other mater or requests can be approved.

e) No vehicle is allowed out of the boundary of the Municipal area without the written approval and consent of the Head of the Department or an authorized official.

2. Safeguarding of Council's vehicles at private residences:

Council vehicles can only be taken home in the event that the driver is on standby or special permission has been obtained from the Head of Department.

The driver undertakes:

a) To ensure that the vehicle is locked away in an enclosed area / yard at all times while not being used for official duties.

b) To maintain the vehicle in the condition he received it.

c) That change of address must be reported immediately.

3. Safeguarding of Council's vehicles during standby and over-time hours:

a) The vehicle must be parked at a safe place and as close as possible to the working point to enable standby people to keep an eye on the vehicle at all times if possible while work is in progress.

b) When the vehicle has to be left alone for instance in a bushy area during an inspection, the driver must lock all doors and activate the vehicle's immobilizer and/alarm if applicable.

c) When the driver exits the vehicle, he/she must switch off the vehicle and remove the ignition key even when he/she only wants to open a gate to drive through it.

d) Item C does not apply to vehicle where the engine needs to run to operate equipment connected to it.

e) When the driver is not occupying the vehicle, he/she must keep the ignition key on his/her person without the possibility of losing it.

4. Safeguarding of Council's vehicles during a breakdown:

When a vehicle breaks down the following procedures must be adhered to.

a) The official must park or push the vehicle off the road to a safe place.
b) He/she must immediately inform the Transport Manager / responsible person in the department and explain where the vehicle is parked and if possible, what the problem or cause of the problem is.

c) The vehicle must under no circumstances be left alone at any given time.

d) If there is no radio or telephone contact, the official must lock the vehicle, activate the immobilizer and/alarm and walk to the nearest telephone or position where radio contact can be made. He/she must then inform the Traffic transport manager or responsible person and Emergency Department of the situation. After positive reaction has been received, he/she must return immediately to the vehicle and wait until help arrives.

e) If the vehicle cannot be repaired at the place where it broke down, the vehicle must be towed to the Mogalakwena municipality. When it is not possible, the vehicle must be towed to the nearest police station or place of safety.

MOGALAKWENA MUNICIPALITY

POLICY

MAINTENANCE OF COUNCIL VEHICLE ASSET REGISTER

CONTENTS

1. Centralised function

2. Vehicle asset register structure

3. Maintenance of additions, disposals, impairments and write-offs schedules

4. Vehicle physical verification and inspection

5. Updating of market value of vehicle assets

6. Reconciliations of vehicle asset register to the general ledger

7. Vehicle utilisation analysis

1. **Centralised Function**

The development and maintenance of the vehicle asset register should be the responsibility of a centralised function who obtain the required information from the vehicle asset official responsible for the fleet in the various divisions.

Any additions, disposal, impairments or write-offs should be approved and the schedules updated by the centralised function once all the required information is collated.

2. **Vehicle Asset Register Structure:**

All vehicles owned by the municipality should be recorded on a vehicle asset register and the following details reflected:

- Asset number;
- Make and model;
- Description of vehicle;
- Cost of vehicle;
- Purchase date;
- Date brought into use;
- Useful life of vehicle;
- Residual value of vehicle;
- Department to which the vehicle belongs;
- Custodian;
- Vehicle Status (In use/Idle/Disposed/Written Off)

3. **Maintenance of additions, disposals, impairments and write-offs schedules**

A schedule of additions, disposals, impairments and write-offs should be maintained throughout the year and the asset register updated accordingly. These schedules should reflect the following detail:

- Asset number;
- Make and model;
- Description of vehicle;
- Cost of vehicle;
- Purchase date;
- Date brought into use;
- Useful life of vehicle;
- Residual value of vehicle;
- Department/Division to which the vehicle belongs;
- Custodian;
- Vehicle Status (In use/Idle/Disposed/Written Off)
- Market value of vehicle
- Date of Last Service

For Additions:

Supplier;
Reason for purchase.

For Disposals/impairments/write-offs:

- Date of sale/impairment/write-off;
- Proceeds;
- Costs;
- Reason for sale/impairment/write-off.

4. Vehicle Physical Verification and Inspection

On an annual basis, all vehicles owned by the municipality should undergo a physical verification to ensure that all vehicles are accounted for and all vehicles owned are recorded on the register.

5. Updating of market value of vehicle assets

The market value of the vehicle assets included in the vehicle asset register should be updated at least annually. This is the responsibility of the fleet manager who will be assisted by the divisional fleet managers in obtaining the required information.

6. Reconciliations of Vehicle Asset Register to the General Ledger

On an annual basis, the updated vehicle asset register should be reconciled to the general ledger and all discrepancies investigated.

7. Vehicle utilisation analysis

On an annual basis and following the updating of the vehicle asset register as outlined above, the fleet manager should perform an analysis of the vehicle status identify discrepancies in vehicle requirements and further action taken.

Where a vehicle shortfall has been identified, the fleet manager would need to consider financing alternatives.

Where it has been identified that vehicles are idle for long periods or out of operation, the fleet manager should investigate the reasons and if the vehicle is damaged beyond repair or no longer needed, initiate the sale or write-off thereof.

MOGALAKWENA LOCAL MUNICIPALITY
BEREAVEMENT POLICY

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1. DEFINITIONS

1.1. **"**Employer" means the Mogalakwena Local Municipality / Council that utilizes the efforts of employee to render services to communities.

1.2. "Employee" means a person employed by the employer to carry out certain duties and responsibilities in return for remuneration.

1.3. "Council" means the Council of Mogalakwena Local Municipality.

1.4. "Funerals within jurisdiction of Mogalakwena Local Municipality" means those funerals that are within boundaries of Mogalakwena Local Municipality.

1.5. "Funerals outside the jurisdiction and outside the province" this implies those funerals that will take place outside the area of jurisdiction of Mogalakwena Local Municipality and outside the province.

2. PREAMBLE

The Bereavement Policy is aimed at regulating the processes to be followed in the provision of assistance in the event of death of a council employee, councillor, experiential trainee, MFMA Interns.

To set out clear guidelines that are needed with regard to assistance to the bereaved families by colleagues in cases where an employee, Councillor, experiential trainees, MFMA interns of the Council has passed away.

3. LEGISLATIVE FRAMEWORK

All transfers of funds of this policy shall comply with the following legislation:

- Constitution of the Republic of South Africa, Act 108 of 1996
- Labour Relations Act no. 66 of 1995.
- Basic conditions of Employment Act no. 75 of 1997
- Employment Equity Act no. 55 of 1998.
- Occupational Health and Safety Act no. 85 of 1993.
- Municipal Systems Act, 32 of 2000
- Municipal Structures Act, 117 of 1998
- Municipal Finance Management Act, 56 of 2003
- Any other applicable legislation, regulations and policies that may govern the transfer of municipal funds and that are not in contradictions to the above.

4. OBJECTIVES OF THE POLICY

To provide assistance to bereaved families in the event of death of a Council employee, councillor,

MFMA Interns and experiential trainees who dies whilst in the service of the Council.

5. SCOPE AND APPLICATION

The policy applies to all council employees, councillors, experiential trainees and MFMA Interns of Mogalakwena Local Municipality. The policy shall be applied on approval by council.

6. RESPONSIBILITY OF THE COUNCIL

6.1. DEATH OF AN EMPLOYEE.

6.1.1. Human resource must notify the Head of Department concerning the death of an employee. A memorial service shall be held for the official. The family must be approached to obtain permission and agreement before arrangements are made for the memorial service.

6.1.2. An official delegation from the municipality consisting of the following will attend the memorial service arranged by the Human Resources in conjunction with the family,

(a) Head of the relevant department or his/her delegate,
(b) The Supervisor of the deceased employee or his/her delegate;
(c) The portfolio Councillor or his/her delegate.
(d) All Council employees (if the memorial service is held within the premises of the council).

6.1.3. The municipality will provide transport up to a maximum of two mini-busses to attend the bereavement of the deceased employee by his/her colleagues. However, this will depend on the number of employees' availability. The union under which the employees fall, will be responsible for providing a list of employees to attend the funeral.

6.1.4. Subsistence will be paid to one official to attend the funeral on behalf of the Council in case the employee is to be buried outside the jurisdiction of Mogalakwena municipal area.

6.1.5. The Municipality will contribute R20 000.00 to the bereaved family of the Councillor or employee.

6.1.6. The head of department will nominate the person to represent council as stated above in both the memorial service and funeral service.

6.2. DEATH OF RETIRED EMPLOYEES.

6.2.1. The human resource division will only assist in reporting of the death to the Pension Fund where the deceased qualifies for benefits.

6.2.2. The spouse/family of the deceased employee will **not** be financially assisted.

6.2.3. Council will **not** be involved in providing transport.

7. BENEFITS AND RESTRICTIONS

7.1. The policy is applicable to funerals of active employees including MFMA interns, experiential trainees, Councillors in Mogalakwena Local Municipality.

7.2. The Municipality will contribute as follows to the bereaved family;

(a) Councillors and Employees - R20 000.00
(b) Interns / Experiential trainees - R5 000.00

7.3. Provisions should be made annually on the budget of R200 000.00 to be adjusted if needs arise during that year.

8. IMPLEMENTATION AND MONITORING

The policy will be implemented and become effective on Council Resolution, on the date determined by Council.

9. COMMUNICATION

The policy will be communicated to all employees/ councillors using a full range of communication methods available in the municipality. An awareness program will be utilized to communicate the policy to all employees

10. POLICY REVIEW

The policy shall be reviewed on and when the need arises.

11. DISPUTE RESOLUTION AND DEVIATION

Any employee who feels aggrieved by the application of the policy may submit his/her grievance in terms of the grievance procedure (SALGBC) as well as the Labour Relations Act, Act 55 of 1995.

Notwithstanding the provisions of this policy, the Director: Corporate Services after consultation with the Municipal Manager and the Mayor, may authorize any deviation from this policy under justifiable circumstance to be condoned by Council within sixty (60) days.

12. APPROVAL

The bereavement policy will be implemented on approval by Council.

_____	_____
APPROVAL	**DATE**
MUNICIPAL MANAGER	
_____	_____
APPROVAL BY COUNCIL	**DATE**
_____	_____
SAMMWU	**DATE**
_____	_____
IMATU	**DATE**

MOGALAKWENA LOCAL MUNICIPALITY

TRAVEL POLICY FOR COUNCILLORS

1.PREAMBLE

The Municipality acknowledges the fact that Councillors r4equire transport to effectively carry out duties assigned to them, and thereby provide travel allowance to facilitate their work.

2. PURPOSE

The objective of this policy is to create uniform standards across the Municipality to regulate the travel allowance for councillors.

3. SCOPE OF APPLICATION

3.1 This policy will only be applicable to councillors, both full-time and part-time, within the municipality.

4. THE LEGISLATIVE FRAMEWORK

4.1. Section 219(1)(b) of the Constitution of the Republic stipulates that an Act of Parliament must establish a framework for determining the Upper Limits of salaries, allowances or benefits of members of municipal councils of the different categories.

4.2. The Remuneration of Public Office Bearers Act (Act 20 of 1998) gives effect to Section 219(1)(b) by providing a framework for determining salaries of Political Office Bearers, including members of municipal councils.

4.3. In terms of Sections 7(1), 8(5)(a) and 9(5)(a) of the Remuneration of Public Office Bearers Act, the Minister must determine the Upper Limits of the salaries, allowances and benefits of the different members of Municipal Councils by notice in the Government Gazette (hereafter referred to as the “Upper Limits”).

4.4. The Upper Limits are published annually and deal with the following:
Grading of municipalities for purposes of determining the remuneration scales;

I) Upper Limits of annual total remuneration packages of full-time and part-time councillors;
II) Upper Limits of allowances of full-time and part-time councillors;
III) Upper limits of remuneration or allowances in respect of appointed councillors;
IV) Upper limits of cellphone allowances of councillors; and
V) Upper Limits of pension fund contributions and medical aid benefits of councillors.

4.5. The Salary and allowances of councillors are determined by that municipal council by resolution of a supporting vote of a majority of its members, in consultation with the MEC for local government in the province concerned, having regard to the Upper limits, the financial year of municipal councils and the affordability of the municipality to pay within the different levels of remuneration as determined.

4.6. Section 167 of the Municipal Finance Management Act of 2003 (MFMA) has a major impact on the remuneration of councillors. It stipulates that councillors **may only** be remunerated within the framework of the Remuneration of Public Office Bearers Act and Section 219 (4) of the Constitution. It declares that any payment, whether in cash or kind, made **outside** this framework would be regarded as an irregular expense.

4.7. The travel allowance is defined in Section 8(1)(b) of the Income Tax Act, no 58 of 1962, as any allowance paid or advance given in respect of travelling expenses for **business purposes**, which is included in the taxable income of any person for any year of tax assessment.

4.8. Section 8(1)(b) of the Income Tax Act further deems any allowance or advance in respect of travelling expenses not to have been expended on business travelling to the extent that it has been spent on private travelling.

5. DEFINITIONS

All terminology used in this policy shall bear the same meaning as in the Regulations or applicable Legislation, or as defined and / or explained in the Glossary of Terminology ion the Human Resource Policies Manual.

6.TRAVEL ALLOWANCES AND REIMBURSEMENT FOR TRAVEL

6.1 Travel Allowances

6.1.1 All Councillors receive a total remuneration package from the municipality that includes a travel allowance of not more than 25% of the annual total remuneration package.

6.1.2 A councillor has the discretion and may include a travel allowance in the total remuneration package.

6.1.3 A councillor that elected to include a travel allowance within the total remuneration package structure, must meet the following requirements: -

6.1.3.1 The travel allowance may only be an amount up to 25% of the total remuneration package;

6.1.3.2 A logbook acceptable to the South African Revenue Service (SARS) must be kept recording the official and private kilometres travelled;

6.1.3.3 The travel allowance will be included in the IRP5 of a councillor for purposes of accounting to SARS.

6.1.3.4 On Income Tax Assessment, a councillor must account to SARS for the use of the travel allowance.

6.2 Reimbursement Allowance for Travel

6.2.1 In addition to the travel allowance, as provided for under 6.1 above, a councillor may claim for the official distances travelled from the municipality.

6.2.2 Such official distances travelled shall be reimbursed in accordance with the applicable tariffs prescribed by the Department of Transport.

7. OFFICIAL BUSINESS TRAVEL

7.1 Official Business-related travel is travel for any purpose that directly relates to the business or job of a councillor and excludes travelling between the place of residence and ordinary place of work or business.

7.2 For the purpose of calculating official business travel the following shall be applicable for Councillors (be applied to either local or district municipality): -

7.2.1 Local Municipalities

7.2.1.1 Full-time councillors who are allocated offices at the municipal precinct shall have their ordinary place of business at the municipal precinct;
7.2.1.2 Part-time Proportional Representative Councillors shall similarly have ordinary place of business at the local municipal precinct, unless deployed to a specific ward.
7.2.1.3 Part-time Proportional Representative Councillors deployed to a specific ward shall have their ordinary place of business in that particular ward.
7.2.1.4 Part-time Ward Councillors shall have their ordinary place of business at their respective wards (ward office/home).

7.2.2 District Municipalities

7.2.2.1 Full-time councillors who are allocated offices at the municipal precinct shall have their ordinary place of business at the municipal precinct.
7.2.2.2 Part-time Proportional Representative Councillors shall similarly have ordinary place of business at the local municipal precinct.
7.2.2.3 Part-time appointed Councillors from Local Municipalities shall have their ordinary place of business at their respective local municipalities (municipal precinct).

8 QUALIFICATION REQUIREMENTS OR ENTITLEMENT TO A REIMBURSEMENT FOR TRAVEL

8.1 A travel reimbursement may only be extended to councillors that have included the travel allowance within the total remuneration package structure.
8.2 All travel on business of the municipality must be approved as such before a councillor is entitled to claim for the travel reimbursement.
8.3 A councillor will be reimbursed, in accordance with the kilometre tariff prescribed by the Department of Transport, for official business travel with their private vehicles.
8.4 A councillor will be reimbursed, in accordance with the kilometre tariff prescribed by the Department of Transport, for official kilometres travelled within the municipality to the maximum of 500km per month and all approved official kilometres travelled outside the municipality
8.5 A travel reimbursement claim must be supported by proof of such travel and related documents.
8.6 No travel claim will be paid, and no councillor will be entitled to the reimbursement, if the travel is not related to the official business of the municipality.

9. PROCESS FOR TRAVEL REIMBURSEMENT

9.1 The duly prescribed claim form must be fully completed by a councillor.
9.2 The prescribed form must be submitted, within predetermined dates, to the Finance Department or the duly delegated official to be considered for reimbursement.
9.3 All claims will be reimbursed or paid with the next salary of such a councillor.
9.4 A claim for a travel reimbursement must be supported by: -
9.4.1 A logbook acceptable to SARS recording the official kilometres travelled in a defined month.
9.4.2 Any relevant supporting documentation.

10. ROLES AND RESPONSIBILITY

10.1 The Municipal Manager or his/ her delegated assignee(s) accept overall responsibility for the implementation band monitoring of the policy.

10.2 The financial implications related to implementing this policy shall be qualified and quantified by Human Resource management in consultation with the Chief Financial Officer.

11. POLICY MONITORING AND EVALUATION

11.1 This policy shall be implemented and effective once recommended by the Local Labour Forum and approved by Council.

11.2. non-compliance to the stipulation contain nide in this policy shall be regarded as breach of Code of Conduct, which shall be dealt with in terms of Code of Conduct.

11.3 Thead of Corporate Support Services shall carry out the monitoring and evaluation of policy's implementation.

12. CONSULTATION, RECOMMENDATION AND APPROVAL AUTHORITY

This policy was formulated by HR Management in consultation with the Local Labour Forum.

Authorised by Municipal Manager: Signature: _____ Date: _____

Recommended by Portfolio Committee on Corporate Support Services: Signature: _____ Date: _____

Approved by Municipal Council: Signature: _____ Date: _____
(THE SPEAKER)

Supply Chain Management Policy for Infrastructure Procurement and Delivery Management

INTRODUCTION

MFMA Circular No 77: 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) 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 municipalities 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.

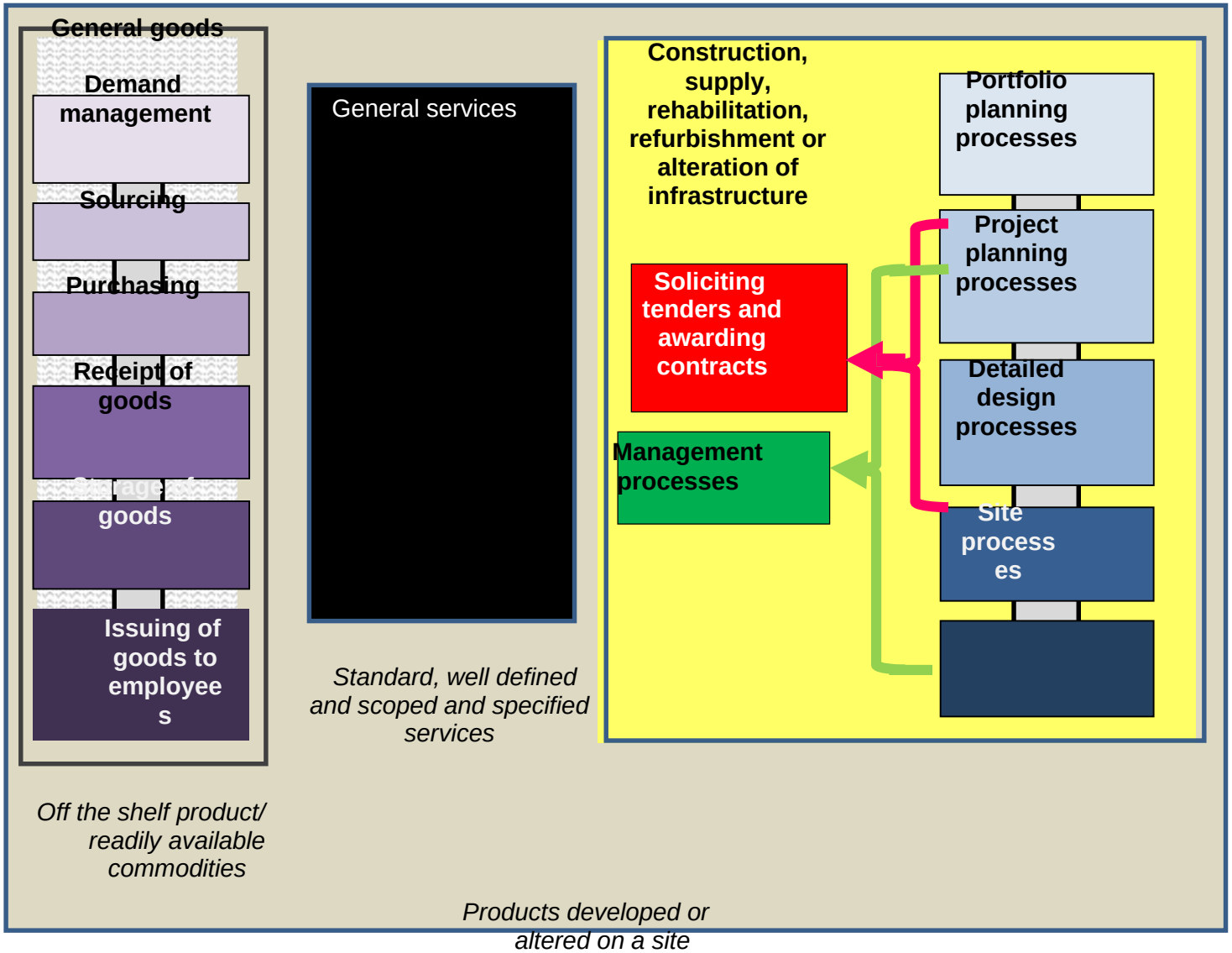
There are accordingly significant differences in the approach to bid specification and bid evaluation committees between the SCM system for general goods and services and that for infrastructure as a very different skills sets coupled with contextual knowledge is required. On the other hand, the bid 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.

The Supply Chain Management Regulations issued in terms of the MFMA permit the accounting officer (municipal manager) 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 Mogalakwena Local Municipality which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. It also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.

1 Scope

This policy establishes the Mogalakwena local 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 Mogalakwena local 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 Mogalakwena local Municipality that acts on the Mogalakwena local Municipality's behalf in the application of this document

Authorised person: the municipal manager or Head of Department 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

Projects manager: a municipal employee responsible for projects and performing duties relating to the overall management of such projects.

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

GCC: General Conditions of Contract 2015 3rd Edition

3 General requirements

3.1 Delegations

3.1.1 The Council of Mogalakwena local Municipality hereby delegates all powers and duties 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

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 or deviations shall be made from the provisions of this policy without the approval of the Municipal Manager

3.1.3 The Municipal Manager shall for oversight purposes:

a) within 30 days of the end of each financial year, submit to Council a report on the implementation of this the policy;

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 Council 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 all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.

3.3 Supervision of the infrastructure delivery management unit

The Infrastructure Delivery Management Unit (PMU in MLM case) shall be directly supervised by the Municipal Manager.

3.4 Objections and complaints1

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 addressed to the Municipal Manager.

3.5 Resolution of disputes, objections, complaints and queries

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 the 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 Mogalakwena's infrastructure delivery management system; or

c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2 The Head of Project management Unit 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 Limpopo 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 Limpopo 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 management11

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1 below.

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
N	**Name**	
0	Project initiation	Head of Department Technical Services accepts the initiation report
1	Infrastructure planning	Head of PMU approves the infrastructure plan in Consultation with Head of Department Technical Services
2	Strategic resourcing	Head of PMU approves the delivery and / or procurement strategy
3	Preparation and briefing	Head of Department Technical Services accepts the strategic brief

Stage			Person assigned the responsibility for approving or accepting end of stage deliverables
N	**Name**		
4	Feasibility		Municipal Manager accepts the feasibility report
	Concept and viability		Head of PMU accepts the concept report in consultation with Head of Department Technical Services
5	Design development		Head of PMU accepts the design development report in consultation with Head of Department Technical Services
6	Design documentation	6A Production information	Project manager (allocated) 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 Project manager accepts the manufacture, fabrication and construction method.
7	Works		The Project manager certifies completion of the works or the delivery of goods and associated services
8	Handover		The 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. The project manager certifies final completion in accordance with the provisions of the contract Head PMU accepts the close out report

5 Control framework for infrastructure procurement

5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold 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: 18

a) The 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

6.1.1.1 General

6.1.1.1.1 A committee system comprising the documentation committee, evaluation committee and tender Adjudication committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

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 person/s appointed 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 Councillor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of
1994 or who has a conflict of interest shall be appointed to a 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 characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 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 if deemed appropriate.

b) the members of the procurement documentation committee (BSC).

6.1.1.2.2 The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Mogalakwena Local Municipality (preferably the Head

of PMU) 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.	Municipal Manager
2	Decide on procurement strategy	2.5 **PG2**	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	Head of Project Management Unit
3	Solicit tender offers	3.2 **PG3**	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement documentation committee (BSC)
		3.3 **PG4**	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	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 Chair person (BEC)
		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 Chair person (BAC)
		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

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
5	Award contract	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	Contracts 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
		6.4 **PG**	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages in compliance with clause 5.13 of the General Conditions of Contract 2015	Head of Project Management Unit
		6.5 **PG**	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

Activity		Sub-Activity		Key action	Person assigned responsibility to perform key action
6	Administer contracts and confirm compliance with requirements	6.6 **PG**	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns within the threshold.	Municipal Manager
		6.7 **PG**	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 the threshold	Council
		6.8 **PG**	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 **PG**	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

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 those 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	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	Municipal Manager
		Issue the contractor with a signed copy of the order / appointment letter	Head of Project management unit

6.1.1.3 Evaluation committee

6.1.1.3.1 The evaluation committee shall (on project-by-project basis) comprise of:

a) the Head of PMU, projects technician, supply chain practitioner, user department and other relevant departments (for a respective project) to prepare the evaluation and, where applicable, in accordance with quality evaluations and submit the report using the prescribed template.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Mogalakwena Local Municipality (preferably Head of PMU) with requisite skills. Other members shall include infrastructure technicians, a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3 The evaluation committee shall evaluate tenders received to meet minimum standard and verify the following in respect of the recommended tenderer:

a) the capability and capacity of a tenderer to perform the contract; Tender's CIDB registration category compliance and National Treasury's central supplier register database

c) the tenderer's tax and municipal rates and taxes compliance status;

d) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;

e) any other returnable documents as per specific tender requirement.

f) the Compulsory Declaration has been completed; and attendance to compulsory briefing (if any)

g) 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 Tender Adjudication committee

6.1.1.4.1 The tender committee shall comprise the following persons or their mandated delegate

a) Chief Financial Officer- Chairperson
b) HoD Technical Services- Member
c) HoD Social Services- Member
d) HoD Traffic and Emergency services
e) HoD LED and Planning or HoD Corporate Services
f) Head of Electrical Services

g) SCM practitioner- Secretariat

*** the quorum for this committee shall be 50% plus one (SCM practitioner)

6.1.1.4.2 No member of the evaluation committee may serve on the tender Adjudication committee unless for presentation of the Evaluation report and or as a technical advisor on a subject matter expert.

6.1.1.4.3 The tender 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 tender adjudication committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

6.1.1.4.5 The tender adjudication committee shall consider the merits of an unsolicited offer and make a recommendation to the municipal manager.

6.1.1.4.6 The tender adjudication committee shall report to the municipal manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The tender 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 tender 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 Limpopo Provincial Treasury shall be

informed where such tenderers are disregarded.

6.1.2 Actions of an authorised person (Municipal Manager) 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, consider the report(s) and recommendations of the tender adjudication committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the Manager Supply chain 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 Tender adjudication committee shall immediately notify the municipal manager if a tender other than the evaluation committee recommended tender is to be awarded, save where the recommendation is changed to rectify an irregularity. The Municipal manager shall do same, within 10 working days, notify in writing the Auditor-General, the National Treasury and Limpopo provincial treasury of the reasons for deviating from such recommendation of the tender adjudication committee.

6.1.2.3 Issuing of an order

The Municipal manager or Chief Financial officer 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 committee or the manager supply chain 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

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of Mogalakwena Local 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 Mogalakwena Local Municipality 's infrastructure delivery management system shall:

a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;

b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;

c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;

d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;

e) ensure that resources are administered responsibly;

f) 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 Mogalakwena Local 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 Mogalakwena Local 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 Mogalakwena Local 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 Mogalakwena Local

Municipality proprietary information.

6.1.3.2.2 The employees and agents of Mogalakwena Local 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 Mogalakwena Local Municipality's interest to do so, submit a tender for work associated with such documents provided that:

a) Mogalakwena Local 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 Mogalakwena Local 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 Mogalakwena Local Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 Mogalakwena Local 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 Mogalakwena Local Municipality's confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of Mogalakwena Local 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 Mogalakwena Local 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 Mogalakwena Local 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 Mogalakwena Local 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 me 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.

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 Mogalakwena Local 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 Mogalakwena Local 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

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 Limpopo 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

6.1.5.1 Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

a) a member of any municipal council, any provincial legislature, or the National Assembly or the
National Council of Provinces;

b) a member of the board of directors of any municipal entity;

c) an official of any municipality or municipal entity;

d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.
1 of 1999);

e) 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 the Mogalakwena Local 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

6.1.5.3 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

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

a) is not associated, linked or involved with any other tendering entity submitting tender offers; or

b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

6.1.7 Placing of contractors under restrictions

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;

b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;

c) had their contract terminated for reasons within their control without reasonable cause;

d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;

e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Mogalakwena Local 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 Mogalakwena Local Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

The Head of SCM shall prepare a report on the matter and make a recommendation to the municipal manager for placing the contractor or any of its principals under restrictions from doing business with the Mogalakwena Local 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 Mogalakwena Local Municipality for a period of 5 years.

6.1.7.3 The manager supply chain shall:

a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Mogalakwena Local Municipality who are engaged in procurement processes; and

b) notify the National 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 Mogalakwena Local Municipality's infrastructure delivery management system shall be addressed to the Manager projects. Such complaints shall be in writing.

6.1.8.2 The Head SCM shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Chief financial Officer who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal

6.2.1.1 The Mogalakwena Local Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;

b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;

c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for Mogalakwena Local 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 process 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 Mogalakwena Local Municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;

b) the Mogalakwena Local Municipality has obtained comments and recommendations on the offer from the National 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 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 and provincial Treasury, and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

6.2.2 Tax and rates compliance

6.2.2.1 SARS tax clearance

6.2.2.1.1 No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

6.2.2.1.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

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 Mogalakwena Local 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 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to the Municipal manager 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 Mogalakwena Local 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).

6.2.2.2 Municipal rates and taxes

No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

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 Mogalakwena Local 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 Mogalakwena Local Municipality's website and on the National Treasury eTender Publication Portal. Advertisements shall be placed by the manager supply chain.

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 Manager supply chain.

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 manager supply chain.

6.2.4.4 Such advertisements shall be advertised for a period of at least 14 days (for contracts estimated at less than R 10 million) and 30 days (for contracts estimated to be above R 10 million) 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

6.2.5.1 The manager supply chain 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 municipalities 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 supply chain manager shall publish within 7 working days of the award of a

contract the following on the Mogalakwena Local Municipality's website:

a) the contract number;

b) contract title;

c) brief description of the goods, services or works;

d) the total of the prices, if practical;

e) the names of successful tenderers and their B-BBEE status level of contribution;

f) duration of the contract; and g) brand names, if applicable.

6.2.5.3 The manager supply chain 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 Manager Supply chain.

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 by placed by Manager Supply chain.

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 Mogalakwena Local Municipality.

6.2.6.3 The disposal committee shall make recommendations to the municipal manager who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

The Chief financial officer shall submit any reports required in terms of the standard to the National Treasury or Provincial treasury

7 Infrastructure procurement

7.1 Procurement documents

7.1.1 The forms of contract that may be used are as follows:

7.2.2 The Mogalakwena Local 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 HoD Technical Services prior to being issued

Form of contract	**C**	**Usage**
SAICE: General Condition of Contract	20	Civil and structural work
COLTO	19	Roads and Bridges
SANS	12	Civil, structural, Roads and Bridges
JBCC	21	Buildings

for tender purposes.

7.2.3 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.

7.2.4 The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

a) consultancy services; and

b) goods and services or any combination thereof where the total of the prices is expected to exceed
R10 m including VAT.

7.3 Developmental procurement policy

The specific goals as prescribed in the main SCM Policy shall apply to this policy while Fairness, transparency and value for money should be achieved utilising this policy

7.4 Payment of contractors

The Mogalakwena Local Municipality shall settle all accounts within 30 days of receipt of correct invoice or statement as provided for in the contract.

7.5 Approval to utilise specific procurement procedures

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) Council shall authorise the use of the negotiated procedure above the thresholds provided in the standard.

b) Council 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) Municipal Manager shall authorise procedure using the two-envelope system, the proposal procedure using the two- stage system or the competitive negotiations procedure.

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is Municipal manager.

7.6 Receipt and safeguarding of submissions

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.

7.6.2 The tender box shall be fitted with two locks and the keys kept separately by two records personnel.
Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7 Opening of submissions

7.7.1 Submissions shall be opened by an opening panel comprising two people (one form Project Management Unit, one from SCM) nominated by Head SCM 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 tenderers received in the public opening;

g) sign the entries into the register; and

h) stamp each returnable document in each tender submission for the date received.

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 7.7.2h).

7.7.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

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

The Mogalakwena Local 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 while complying with all prescripts of law governing this process.

7.9 Insurances

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract.51

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 formally by the municipal manager.

7.9.3 Lateral earth support insurance in addition to such insurance shall be made out on a case-by-case basis.

Table 4: Minimum insurance cover

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million

Type of insurance	Value
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 the 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 Municipal manager in relation to the nature of the service that they provide.

7.9.6 Mogalakwena Local Municipality's hall 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 Mogalakwena Local 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 Chairperson of evaluation committee.

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

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 Mogalakwena Local Municipality’s Information Manual which establishes the procedures to be followed and the criteria that have to be met for the “requester” to request access to records in the possession or under the control of Mogalakwena Local Municipality’s.

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.

Borrowings Policy

Reviewed / Approved By	Date	Signatures
Chief Financial Officer		
Municipal Manager		
Council		

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1. ABBREVIATIONS

MLM	Mogalakwena Local Municipality
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practise
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
VAT	Value Added Tax
SDBIP	Service Delivery and Budget Implementation Plan

2. PURPOSE OF THIS DOCUMENT

This policy sets outs the principles for determining the following:

- The Municipality's borrowing requirements.
- Process to be followed when debt is incurred.

3. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), has the meaning so assigned, and:

"Accounting Officer" – means the Municipal Manager and vice versa;

"Act" – means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Chief Financial Officer" – means an officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the municipality;

"Council" or "Municipality" – means the Municipal Council of Mogalakwena Local Municipality as referred to in Section 18 of the Municipal Structures Act;

"Creditor" – in relation to a municipality, means any person or service provider to whom money is owed by the Municipality;

"Debt" – means –

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

(b) 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) a statement of financial position;

(b) a statement of financial performance;

(c) a statement of changes in net assets;

(d) any other statements that may be prescribed; and

(e) any notes to these statements.

"Financial year" – means a year ending 30 June;

"Financing Agreement" means any long-term agreement, lease, instalment 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.

In this document unless the context otherwise indicates, words and expressions denoting the singular shall include the plural and vice versa, words and expressions denoting the male sex shall include the female sex and vice versa and reference to a natural person shall include a legal person and vice versa.

4. BACKGROUND

The Local Government: Municipal Finance Management Act 56 of 2003 (hereafter MFMA) section 18 requires that an annual budget may only be funded from:

(a) Realistically anticipated revenues to be collected;
(b) Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
(c) Borrowed funds, but only for capital projects.

Section 19 of the MFMA also requires spending on a capital project may only commence once the funding sources have been considered, are available and have not been committed for other purposes. Furthermore, Chapter 6 of the MFMA 6 guides on the requirements of obtaining Short-Term and Long-Term Debt, Conditions to comply with when applying for Debt, Security, Disclosures and Municipal Guarantees.

The Local Government: Municipal Finance Management Act 56 of 2003 Municipal Budget and Reporting Regulations, 2009 Section 8 requires that each Municipality should have a Borrowing Policy.

5. OBJECTIVES

The objectives of the policy are as follows:

(a) To comply with the legislative requirements;
(b) Manage interest rate and credit risk exposure;
(c) Maintain debt within specified limits and ensure adequate provision for the repayment of debt;
(d) To ensure compliance with all Legislation and Council policy governing borrowing of funds.

6. INTRODUCTION AND BACKGROUND

The Municipality may only incur debt in terms of the Municipal Finance Management Act, Act 56 of 2003.

6.1. A municipality may incur short-term and long-term debt only if:

6.1.1 The debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency;
6.1.2 A council resolution is taken authorising the provision of security if security is to be provided by the municipality; and

6.1.3 The following ratios for Liability Management is favourable:

- Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure

Purpose/ Use of the Ratio

The Ratio indicates the cost required to service the borrowing. It assesses the borrowing or payment obligation expressed as a percentage of Total Operating Expenditure.

Formula

Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100

Norm

The norm is between 6% to 8%

Interpretation of Results

Operating below the Norm could indicate that the Municipality has the capacity to take on additional financing from borrowing to invest in infrastructure projects or it could relate to cash flow problems where it is unable to access borrowed funds or the funding decisions of the municipality impacts of these levels. On the other hand, exceeding the Norm could pose a risk to the Municipality should changes or fluctuations in financing costs arise. When assessing this ratio, the cash flow requirements of the Municipality should also be considered.

- Debt (Total Borrowings)/ Total Operating Revenue

Purpose/ Use of the Ratio

The Ratio indicates the extent of Total Borrowings in relation to Total Operating Revenue. It indicates short- and long-term debt financing relative to operating revenue of the municipality. The purpose of the Ratio is to provide assurance that sufficient Revenue will be generated to repay Liabilities. Alternatively stated, the Ratio indicates the affordability of the Total Borrowings.

Formula

Debt (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant

Norm

The norm is 45%

Interpretation of Results

If the result of the Ratio analysis indicates less than 45% then the Municipality still has capacity to increase funding from borrowings, however, this should be considered within the cash flow requirements of the Municipality.

6.2. Short Term Debt

6.2.1 The Municipality may incur short-term debt only when necessary to bridge:

6.2.1.1 Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistically anticipated income to be received within that financial year; or

6.2.1.2 Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long- term debt commitments.

6.2.2 A municipality may incur short-term debt only if:

6.2.2.1 A resolution of the municipal council, signed by the executive mayor, has approved the debt agreement; and

6.2.2.2 The AO has signed the agreement or other document which creates or acknowledges the debt.

6.2.3 A municipal Council may:

6.2.3.1 Approve a short-term transaction individually; or

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

(a) the credit limit must be specified in the resolution of the council;
(b) the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and
(c) if the council approves a credit facility that is limited to emergency use, the AO must notify the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.

6.2.4 The Municipality:
6.2.4.1 Must pay off short-term debt within the financial year; and
6.2.4.2 May not renew or refinance short-term debt, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year
6.2.5 No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of section 6.2.4.1 above.

6.2.6 If a lender wilfully extends credit to a municipality in contravention of this policy, the municipality is not bound to repay the loan or interest on the loan.

6.2.7 Section 6.2.6 above does not apply if the lender:
6.2.7.1 Relied in good faith on written representations of the municipality as to the purpose of the borrowing; and
6.2.7.2 Did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

6.3. Long Term Debt
6.3.1 The Municipality may incur long-term debt for the purpose of capital expenditure on property, plant and equipment for the purpose of achieving its long-term strategic objectives, as outlined in the Constitution of the Republic of South Africa, Act 108 of 1996, and Chapter 7 on Local Government, to:
6.3.1.1 Provide democratic and accountable government for local communities;
6.3.1.2 Ensure the provision of services to communities in a sustainable manner;
6.3.1.3 Promote social and economic development;
6.3.1.4 Promote a safe and healthy environment; and
6.3.1.5 Encourage the involvement of communities and community organizations in the matters of local government.

6.3.2 A municipality may incur long-term debt only if:
6.3.2.1 A resolution of the municipal council, signed by the executive mayor, has approved the debt agreement; and
6.3.2.2 The AO has signed the agreement or other document which creates or acknowledges the debt.

6.3.3 A municipality may incur long-term debt only if the AO of the municipality:
6.3.3.1 Has, in accordance with section 21A of the Municipal Systems Act:

- at least twenty-one (21) days prior to the meeting the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
- invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and

6.3.3.2 Has submitted a copy of the information statement to the municipal council at least twenty-one (21) days prior to the meeting of the council, together with particulars of:

- the essential repayment terms, including the anticipated debt repayment schedule; and
- the anticipated total cost in connection with such debt over the repayment period.

6.3.4 Capital expenditure may include:

6.3.4.1 Financing costs, including:

- capitalised interest for a reasonable initial period;
- costs associated with security arrangements in accordance with section 48 of the Act;
- discounts and fees in connection with the financing;
- fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and
- costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing.

6.3.4.2 Costs of professional services directly related to the capital expenditure; and

6.3.4.3 Such other costs as may be prescribed.

6.3.5 A municipality may borrow money for the purpose of refinancing existing long-term debt, provided that:

6.3.5.1 The existing long-term debt was lawfully incurred;

6.3.5.2 The refinancing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;

6.3.5.3 The net present value of projected future payments (including principal and interest payments) after refinancing is less than the net present value of projected future payments before refinancing; and

6.3.5.4 The discount rate used in projecting net present value, and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

6.3.6 A municipality's long-term debt must be consistent with its approved capital budget

6.4. The municipality may also incur long term debt in the form of a Finance lease (instalment sale agreement) for the purchase of various vehicles and equipment.

7. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

(a) Delegation of Powers;
(b) Accounting Policy;
(c) Cash Management and Investment Policy
(d) Long Term Financial Plan Policy;
(e) Budget Implementation and Monitoring Policy;

8. SECURITY

8.1. A municipality may by resolution of its council provide security for:

8.1.1 Any of its debt obligations; and

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

8.2. A municipality may in terms of section 9.1 above provide any appropriate security, including by:

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

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

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

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

8.2.5 Ceding as security any category of revenue or rights to future revenue;

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

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

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

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

8.2.10 Agreeing to such other arrangements as the municipality may consider necessary and prudent.

8.3. A council resolution authorising the provision of security:

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

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

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

8.5. A determination in terms of section 9.3 above that an asset or right is not necessary for providing the minimum level of basic municipal services is binding on the municipality until the secured debt has been paid in full or the secured obligations have been performed in full, as the case may be.

9. DISCLOSURE

9.1. Any person involved in the borrowing of money by the municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor:

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

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

9.2. Information to be provided should include:

9.2.1 Audited financial statements for the preceding three (3) financial years with audited outcomes;

9.2.2 Approved annual budget;

9.2.3 The municipal integrated development plan;

9.2.4 Repayment schedules pertaining to existing short-term or long-term debt.

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

10. MUNICIPAL GUARANTEES

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

10.1.1 The guarantee must be within limits specified in the municipality's approved budget.

10.2. Neither the national nor a provincial government may guarantee the debt of a municipality except to the extent that chapter 8 of the Public Finance Management Act provides for such guarantees.

11. APPROVAL

11.1. Once Council approves the loan, the AO has to enter into an agreement with the recommended financial institution on behalf of Council. The Chief Financial Officer must ensure that the terms and conditions are as originally agreed before the Council is committed;

11.2. All municipal loan commitments must be recorded in a Loans Register reflecting at a minimum the:

11.2.1 Loan number;

11.2.2 Type of loan;

11.2.3 Financial institution;

11.2.4 Date issued;

11.2.5 Purpose of loan;

11.2.6 Loan period;

11.2.7 Interest rate;

11.2.8 Instalments (capital and interest);

11.2.9 Due dates (quarterly / half-yearly / yearly);

11.2.10 Security (if any);

11.2.11 Final redemption date;

11.2.12 Opening balance at the beginning of the financial year;

11.2.13 Amounts received during the financial year;
11.2.14 Capital amounts redeemed during the financial year; and
11.2.15 Closing balance at the end of the financial year.

11.3. Sufficient provision must be made in the budget to depreciate assets linked to the loan.

12. DOCUMENTS TO BE KEPT ON RECORD

12.1. The following loan documentation and certificates, at a minimum, must be safeguarded at all times:
12.1.1 Loan agreements;
12.1.2 Any applicable security agreements;
12.1.3 Copy of annual loans register;
12.1.4 Signed copies of monthly reconciliations;
12.1.5 Copies of all repayments made;
12.1.6 Copies of amortization schedules;
12.1.7 Copies of quarterly National Treasury returns.

13. POLICY AMENDMENT

The AO must–
(a) at least annually review the implementation of this Policy; and
(b) when the AO considers it necessary, submit proposals for the amendment of this Policy to the Council.

The review of this policy and any amendment should be made with due consideration and in conjunction with the annual review of the budget related policies as prescribed in the Municipal Budget and Reporting Regulations, 2008.

14. APPROVAL AND EFFECTIVE DATE

14.1. This policy shall be implemented once approved by Council.

Budget

Implementation and Monitoring Policy

Reviewed / Approved By	Date	Signatures
Chief Financial Officer		
Municipal Manager		
Council		

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ABBREVIATIONS

MLM	Mogalakwena Local Municipality
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
HOD	Head of Department (Senior Manager)
IDP	Integrated Development Plan
MBRR	Municipal Budget and Reporting Regulations, 2008
MFMA	Municipal Finance Management Act
MTREF	Medium Term Revenue and Expenditure Framework
SCM	Supply Chain Management
VAT	Value Added Tax

1. **PURPOSE OF THIS DOCUMENT**

1.1 The objective of the budget policy is to set out:

(a) The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget (MTREF);

(b) The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget;

(c) To control and inform the basis, format and information included in the Budget documentation; and

(d) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

2. **DEFINITIONS**

In this Budget Implementation Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), has the meaning so assigned, and:

"Accounting Officer"- means the Municipal Manager;

"Allocation", means-

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

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

"Approved budget," means an annual budget-

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

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

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

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

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

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

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

"Councillor" means a member of a municipal council;

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

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

"Delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

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

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

- a statement of financial position;
- a statement of financial performance;
- a cash-flow statement;
- any other statements that may be prescribed; and
- any notes to these statements;

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

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

"Fruitless and wasteful expenditure" means expenditure that was made in vain and would

have been avoided had reasonable care been exercised;

"Irregular expenditure", means-

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

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

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

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

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

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

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);

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

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

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

"municipality"-

- when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998);

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

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

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

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

"National Treasury" means the National Treasury established by section 5 of the Public

Finance Management Act;

"Official", means-

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

"Overspending"-

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

"Past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- 1 July to 30 September;
- 1 October to 31 December;
- 1 January to 31 March; or
- 1 April to 30 June;

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

- projections for each month of-
- revenue to be collected, by source; and
- operational and capital expenditure, by vote;
- service delivery targets and performance indicators for each quarter; and
- capital budget broken down per ward
- any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(l) of the MFMA.

“Short-term debt” means debt repayable over a period not exceeding one year;

“Standards of generally recognised accounting practice”, means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

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

- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (ii), (iii) or (iv) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA

“virement” means transfer of funds between functions / votes.

"vote" means-

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

In this document unless the context otherwise indicates, words and expressions denoting the singular shall include the plural and vice versa, words and expressions denoting the male sex shall include the female sex and vice versa and reference to a natural person shall include a legal person and vice versa.

3. BUDGETING PRINCIPLES

The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

Municipality shall prepare a multi-year budget (three year) – medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.

4. BUDGETING PROCESS

4.1 Planning for the preparation of the budget

4.1.1 The Accounting Officer with the assistance of the Chief Financial Officer and the Executive Director Development & Planning shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

4.1.2 The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).

4.1.3 IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework (MTREF) budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

4.1.4 The mayor shall convene a strategic workshop with the senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The mayor shall table the IDP priorities with the draft budget to Council.

4.1.5 The Mayor shall table the Draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies

4.1.6 The Chief Financial Officer and senior managers undertake the technical preparation of the budget including: -

4.1.6.1 Review past performance;

4.1.6.2 Prepare initial preview assumptions;

4.1.6.3 Analyse past revenue trends and develop initial projections;

4.1.6.4 Prepare the IDP and make necessary revisions;

4.1.6.5 Prepare initial budget scenarios: -

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

(b) The budget must reflect the realistically expected revenues and expenditure by major source for the budget year concerned; and

(c)Estimated revenue and expenditure by vote for the budget year; and

4.1.7 In terms of the MFMA Budget and Reporting Regulations, the Mayor must establish a budget steering committee to provide technical assistance to him / her in discharging his / her responsibilities set out in section 53 of the MFMA.

The minimum membership requirements of a budget steering committee as per MFMA are the following:

- Councillor responsible for financial matters
- Municipal Manager
- Chief Financial Officer
- Senior Managers responsible for at least the three largest votes in the municipality
- The Manager responsible for Budgeting
- The Manager responsible for Planning
- Any Technical Experts on Infrastructure

The Mayor will, on an annual basis, establish a steering committee.
Annexure A provides an outline of the budget activities, timeframes and responsibilities.

4.2 Public participation process

4.2.1 During the consultation process administration should consult with political executive; and

4.2.2 Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public and stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

4.3 Approval of the budget

4.3.1 Council shall consider the next medium-term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year);

4.3.2 The council resolution, must contain budget policies and performance measures be adopted; and

4.3.3 Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance that the budget has not been approved in terms of Section 53(2) of the MFMA.

4.4 Publication of the budget

4.4.1 Within 10 working days after the the Deputy Municipal Manager / Chief Financial Officer must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury; and

4.4.2 The Deputy Municipal Manager / Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

5. **CONTENTS OF THE BUDGET**

The budget consists of the following key elements:

5.1 Mayor’s Report

5.2 Council Resolutions

5.3 The Council approves and adopts: -

5.3.1 Budget set out in various tables;
5.3.2 by standard classification;
5.3.3 by municipal vote;
5.3.4 by source and expenditure by type;
5.3.5 Policies; and
5.3.6 Tariffs.
5.4 Executive Summary
5.4.1 Operating Revenue Framework
5.4.1.1 Property Rates;
5.4.1.2 Sale of Water and Impact of Tariff Increases;
5.4.1.3 Sale of Electricity and Impact of Tariff Increases;
5.4.1.4 Sanitation and Impact of Tariff Increases;
5.4.1.5 Waste Removal and Impact of Tariff Increases; and
5.4.1.6 Overall impact of tariff increases on households.
5.4.2 Operating Expenditure Framework
5.4.2.1 Main operational expenditure categories;
5.4.2.2 Priority areas i.e., repairs and maintenance; and
5.4.2.3 Free Basic Services: Basic Social Services Package.
5.4.3 Capital expenditure
5.4.3.1 IDP Reference
5.4.3.2 Highlighted projects where major investment in Capex is made
5.4.3.3 Future operational cost of new infrastructure
5.5 Supporting Documentation
5.5.1 Budget Process Overview
5.5.1.1 IDP and Service Delivery and Budget Implementation Plan
5.5.1.2 Financial Modelling and Key Planning Drivers
5.5.1.3 Community Consultation
5.5.1.4 Overview of alignment of annual budget with IDP
5.5.2 Measurable performance objectives and indicators
5.5.3 Overview of budget related-policies
5.5.4 Monthly revenue cash flow projections by month
5.5.5 IDP amendments
5.5.6 Amendments to Budget related policies
5.5.7 Details of investments
5.5.8 Municipal entities – new and existing
5.5.9 Proposed service delivery agreements
5.5.10 Grants to external bodies
5.5.11 Contracts having future budgetary implications
5.5.12 Capital expenditure details
5.5.13 Legislation compliance status
5.5.14 Salary, allowances and benefits of:
5.5.14.1 Councillors
5.5.14.2 MM, CFO and senior managers
5.5.15 Overview of budget assumptions
5.5.15.1 External factors
5.5.15.2 General inflation outlook and its impact on the municipal activities
5.5.15.3 Credit rating outlook
5.5.15.4 Interest rates for borrowing and investment of funds
5.5.15.5 Collection rate for revenue services

5.5.15.6 Growth or decline in tax base of the municipality
5.5.15.7 Salary increases
5.5.15.8 Impact of national, provincial and local policies
5.5.15.9 Ability of the municipality to spend and deliver on the programmes; and
5.5.16 Municipal manager's quality certificate

6. **OPERATING BUDGET**

6.1 The municipality shall budget in each annual and adjustments budget for the contribution to:
6.1.1 Provision for accrued leave entitlements equal to 100% of the accrued leave
6.1.2 Provision for bad debts in accordance with its collection rates
6.1.3 Provision for the obsolescence and deterioration of stock
6.1.4 Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
6.1.5 A sufficient proportion of the operating budget component of each annual and adjustments budget shall be set aside for maintenance in accordance with the asset maintenance plans of the Municipalities.
6.2 When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
6.3 The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
6.4 The operating budget shall reflect the impact of the capital component on:
6.4.1 depreciation charges
6.4.2 repairs and maintenance expenses
6.4.3 interest payable on external borrowings
6.4.4 other operating expenses.
6.5 The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.
6.6 Internal consumption of municipal services are costed to the user departments according to actual consumption / service level at the approved tariffs in terms of the mSCOA casting segment.

7. **CAPITAL BUDGET**

7.1 Expenditure of a project shall be included in the capital budget if it meets the asset definition and has a useful life in excess of one year.
7.2 Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
7.3 A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
7.4 The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
7.5 Before approving a capital project, the Council must consider:
7.5.1 The projected cost of the project over all the ensuing financial years until the project becomes operational,

7.5.2 Future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

7.5.3 the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,

7.5.4 depreciation of fixed assets,

7.5.5 maintenance of fixed assets, and

7.5.6 any other ordinary operational expenses associated with any item on such capital budget.

7.6 Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

8. **FUNDING OF THE BUDGET**

8.1 Operational Budget

The operational budget can only be funded from –

8.1.1 Realistically expected revenues.

8.1.1.1 Based on collection levels to date

8.1.1.2 Actual revenue collected in previous financial years

8.1.2 Uncommitted accumulated surpluses to the extent that the surpluses are cash backed.

8.2 Capital Budget

8.2.1 Revenue or Surplus

8.2.1.1 If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.

8.2.1.2 If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

8.2.2 External loans

8.2.2.1 External loans can be raised only if it is linked to the financing of an asset;

8.2.2.2 A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;

8.2.2.3 The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;

8.2.2.4 Interest payable on external loans shall be included as a cost in the expenditure budget;

8.2.2.5 Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

8.2.3 Capital Replacement Reserve (CRR)

8.2.3.1 Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:

- unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- additional amounts appropriated as contributions in each annual or adjustments budget; and
- Sale of land and profit or loss on the sale of assets.

8.2.3.2 Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;

8.2.3.3 If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;

8.2.3.4 Transfers to the CRR must be budgeted for in the cash budget;

8.2.4 Grant Funding

8.2.4.1 Non capital expenditure funded from grants;

8.2.4.2 Must be budgeted for as part of the expenditure budget;

8.2.4.3 Capital expenditure must be budgeted for in the capital budget;

8.2.4.4 Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts;

8.2.4.5 Grant funding does not need to be cash backed at the time of budget approval, but cash should be secured before spending can take place.

8.3 Unspent Funds / Roll over of Budget

8.3.1 The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.

8.3.2 Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year.

8.3.3 Conditions of the grant fund shall be taken into account in applying for such roll over of funds.

8.3.4 In order to apply for a rollover of unspent conditional grants the following must be submitted to National Treasury:

8.3.4.1 Municipalities must submit their June conditional grant expenditure reports according to section 71 of MFMA reflecting all accrued expenditure on conditional grants;

8.3.4.2 Submit the pre-audited AFS indicating the portion of each national conditional allocation it received which remained unspent as at 30 June;

8.3.4.3 Formal letter addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 21(2) of the of DoRA

8.3.4.4 Motivation of Commitment:

(a) Evidence that the work on each of the projects has commenced, namely either of the following:

- Proof that the project tender was published and the period for tender submissions closed before 30 June; or
- Proof that a contract for delivery of the project was signed before 30 June.

(b) A progress report on the state of implementation of each of the projects;

(c) The amount of funds committed to each project, and the conditional allocation from which the funds come;

(d) An indication of the time-period within which the funds are to be spent.

8.3.5 Adjustments to the rolled over budget shall be done during the 1st Adjustments budget in the new financial year after taking into account expenditure up to the end of the previous financial year.

8.3.6 No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.

8.3.7 No unspent operating budget shall be rolled over to the next budget year

9. **VIREMENTS**

Virements represents a flexible mechanism to affect budgetary amendments within a municipal financial year, and is the major mechanism to align and take corrective (financial / budgetary) action within a Directorate (Vote) or functional area during a financial year.

9.1 Virement procedure requirements and restrictions

9.1.1 In order for a "vote" to transfer funds from one cost element, operating or capital project to another cost element, operating or capital project, a saving has to be identified within the monetary limitations of an identified cost element, operating or capital project allocations on the respective budgets.

9.1.2 Sufficient, budgetary provision should be available within the "giving" vote's cost element or capital project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element operating, or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.

9.1.3 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an Adjustments Budget (per MFMA Section 28).

9.1.4 In terms of Section 17 of the MFMA a Municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets other than through an Adjustments Budget.

9.1.5 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years (MFMA Sections 19 and 21).

9.1.6 Virements resulting in adjustments to the approved SDBIP need to be submitted with an Adjustments Budget to the Council with revised targets and indicators for approval. (MFMA Circular 13).

9.1.7 No virement may be made to cover/ allow for unauthorised, irregular or fruitless and wasteful expenditure (MFMA Section 32).

9.1.8 All virements should be approved in line with the Council's System of delegations.

9.2 Operating and Capital Budget Virements

9.2.1 Virements from non-cash expenditure items to cash expenditure items are not permitted.

9.2.2 Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted.

9.2.3 Motivations for virements between projects should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

9.2.4 Virements in capital budget allocations are only permitted within funding sources.

10. **ADJUSTMENT BUDGET**

The MFMA 28(2) recognises that there will be instances where unforeseen and unavoidable expenditure is required, as well as other circumstances which could necessitate the submission of an Adjustments Budget:

It is compulsory to prepare an adjustments budget: -

10.1 when there is an under collection of revenue

10.2 when a downwards adjustment of revenue and expenditure is required

The MFMA also recognises that a voluntary adjustment budget can be prepared as a result of the following: -

10.3 Over-collection of revenue – to support existing budgeted programmes (MFMA 28(2) (b) to be submitted after midyear performance assessment and before 28 February.

10.4 Unforeseen and unavoidable expenditure recommended by the Mayor (MFMA 28(2) (c) must be reported to Council at its next meeting and be included in adjustments budget within 60 days of expenditure being incurred.

10.5 May authorise the utilisation of projected savings in one vote (MFMA 28(2) (d) towards spending in another vote.

10.6 Under spending in prior financial year – if unforeseen (MFMA 28(2) (e) should be completed after year end but before 25 August.

10.7 Correct errors (MFMA 28(2) (f) to be submitted after midyear performance assessment and before 28 February.

10.8 To ratify unauthorised expenditure and any other expenditure within a prescribed framework in terms of Unauthorised Expenditure the Municipality may submit a Special Adjustments Budget when submitting the Annual Report for consideration.

10.9 When an adjustments budget is tabled, it must be accompanied by—

- an explanation how the adjustments budget affects the annual budget;
- a motivation of any material changes to the annual budget;
- an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
- any other supporting documentation that may be prescribed.

10.10 The Municipality may not change tax and tariffs unless in terms of a financial recovery plan.

10.11 Formats of adjustments budget

An adjustment budget and supporting documentation of a municipality must be in a the format specified in Schedule B of the MBRR and include all the required tables, charts and explanatory information, in view of any guidelines issued by National Treasury

10.12 Funding of adjustment budgets

An adjustments budget of a municipality must be suitably funded. The supportive documentation to accompany an adjustments budget in terms of section 28(5) of the MFMA must contain an explanation of how the adjustments budget is funded.

10.13 Submission of tabled adjustments budgets

The municipal manager must comply with section28(7) of the MFMA together with section 22(b)(i) of the MFMA, within ten working days after mayor has tabled an adjustments budget in the municipal council. When submitting the tabled adjustments budget to National Treasury and relevant provincial treasury in terms of section 28(7) of the MFMA, municipal manager must submit in both printed and electronic format.

10.14 Approval of adjustments budgets

The municipal council must consider the full consequences, fiscal or otherwise, of the adjustments budget and supporting documentation. When approving an adjustments budget, the municipal council must consider and adopt separate resolutions dealing with each of the matters listed below:

10.14.1 Approval of the adjustment budget;

10.14.2 Approval of any adjustments permitted in terms of section 28(2) of the MFMA;

10.14.3 Approval of the transfer of funds to a separate bank account for purpose contemplated in section 12 of the MFMA;

10.14.4 Approval of revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, if any, to correspond with the approval of the adjustments budget;

10.14.5 Approval of any amendments to budget related policies necessitated by the adjustments budget.

10.15 Quality Certification

When an adjustment budget and supporting documentation is tabled in council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule B and signed by the municipal manager.

10.16 Publication of approved adjustment budgets

Within five working days after the municipal council has approved an adjustments budget, the municipal manager must in agreement with section 21(A) of the Municipal System Act make public that approved adjustments budget and supporting documentation.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

11.1.1 The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

11.1.2 The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

11.1.3 The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Monthly budget statements

The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;

- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year,
- The report to the National Treasury must be both in electronic format and in a signed written document

11.2.2 Quarterly reports

The Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality

11.2.3 11.2.3 Mid-year budget and performance assessment

The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan in terms of Section 72 of the MFMA.

The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury.

The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12. APPROVAL AND EFFECTIVE DATE

The policy will be effective as from 1 November 2023.

13. POLICY AMENDMENT

The Budget Implementation and Monitoring Policy must be reviewed on an annual basis.

14. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Delegation of Powers;
- Funding and Reserves Policy;
- Long Term Financial Plan Policy;

15. POLICY IMPLEMENTATION

This policy shall be implemented once approved by Council.

Long-Term Financial Plan Policy

Reviewed / Approved By	Date	Signatures
Chief Financial Officer		
Municipal Manager		
Council		

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1. DEFINITIONS AND ABBREVIATIONS

In this policy unless the context indicates otherwise –

‘‘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.

“BSC” means Budget Steering Committee, a committee established in terms of regulation 4 of the Municipal Budget Reporting Regulations (MBRR), to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Municipal Finance Management Act (MFMA).

‘‘Budget-related policy’’ means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

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

"Chief Financial Officer (CFO)" means a person designated in terms of section 80(2)(a) of the MFMA.
"IDP" means the Integrated Development Plan.
"LTFP" means Long Term Financial Plan.
''Long-term debt'' means debt repayable over a period exceeding one year.
"MBRR" means the Municipal Budget and Reporting Regulations.
"MFMA" means the Municipal Finance Management Act No 56 of 2003.
"MTREF" means Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.
"Municipal Council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act.
''Municipal tariff'' means a tariff for services, which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff.
''Municipal tax'' means property rates or other taxes, levies or duties that a municipality may impose.
''National Treasury'' means the National Treasury established by Section 5 of the Public Finance Management Act.
"Short Term" refers to a period up to 3 (three) years.
"Medium Term" refers to a period between 3 (three) and 5 (five) years.
"Long Term" refers to any period longer than 5 (five) years).

2. INTRODUCTION

2.1 The Local Government: Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) has instituted various financial reform measures. Sound financial management practices have been identified as essential to the long- term sustainability of municipalities. In this regard the MFMA necessitates that municipalities must have a policy related the Long-Term Financial Plan (hereafter LTFP).

2.2 A municipality's financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan (hereafter IDP). It provides guidance for the development of current budgets and assesses financial impacts on outer years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.

2.3 The Municipality has developed a financial model that aims to determine the appropriate mix of parameters and assumptions within which the Municipality should operate to facilitate budgets which are affordable and sustainable at least 10 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the municipality's operational budget.

3. PROBLEM STATEMENT

Preceding the inception of the MFMA municipal budgets usually catered for immediate demands with little or no view of future needs or the future consequences of particular decisions. This poor planning practice fragmented the sustainability of municipal budgets.

4. PURPOSE

The policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology therefore enabling delivery of Municipal Strategies whilst ensuring the Municipality's long term financial sustainability and affordability in order to achieve objectives over the medium and long term.

5. STRATEGIC FOCUS AREA

5.1 The Municipality's Five Year IDP (2023-2028) identifies fifteen priorities and three foundation areas, which support the vision of "To be thé leading, sustainable and diversified economic hub focused on community needs". The priorities areas are:

1. Water and Sanitation
2. Roads and Stormwater
3. LED and Unemployment
4. Electricity
5. Institutional Arrangements
6. Refuse & Solid Waste Management
7. Land & Environmental Management
8. Housing
9. Crime Prevention, Safety & Security
10. Health & Welfare
11. Communication
12. Education
13. Sports, Arts & Culture
14. Community Facilities
15. Transport

The municipality has identified linked objectives and programmes within the above areas.

6. GUIDING PRINCIPLES

6.1 The policy is based on the following principles

6.1.1 Future financial sustainability inclusive of realistic revenue sources;

6.1.2 Optimal collection of revenue, taking into consideration the socio-economic environment;

6.1.3 Optimal utilisation of grant funding;

6.1.4 Continuous improvement and expansion in service delivery framework; and

6.1.5 Prudent financial strategies.

7. ROLE PLAYERS AND STAKEHOLDERS

7.1 The following role players will ensure that the LTFP is implemented in accordance with the prescribed legislative requirements and Council processes.

7.1.1 Budgets and Treasury department

7.1.1.1 Responsible for the preparation, compilation and presentation of the LTFP in line with this policy; and

7.1.1.2 Review this policy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.

7.1.2 Directorates and/ departments

7.1.2.1 Responsible for providing information to the Budgets department to update the financial plan;

7.1.2.2. Required to identify revenue and expenditure plans for both operating and capital budgets for at least 3 years; and

7.1.2.3. Required to make recommendations on future service delivery matters.

7.1.3 Executive Management Team

7.1.3.1 Mechanism of engagement in the Strategic Management Framework (SMF) process; and

7.1.3.2 The SMF process informs planning and helps ensure delivery on the strategic objectives set out in the IDP

7.1.4 Budget Steering Committee

7.1.4.1 Responsible for providing guidance on technical budget principles on matters relevant to the LTFP; and

7.1.4.2 Responsible for endorsing the projected MTREF assumptions and parameters contemplated by the LTFP.

7.1.5 Executive Mayor

7.1.5.1 Provides guidance in terms of section 53 of the MFMA.

8. REGULATORY CONTEXT

8.1 Section 17 (3) of the MFMA states that when an annual budget is tabled it must be accompanied by, amongst others, “any proposed amendments to the budget related policies of the municipality”.

8.2 Section 21 of the MFMA states that the mayor of a municipality must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for, amongst others:

(i) the annual review of -

(aa) the Integrated Development Plan in terms of section 34 of the Municipal Systems Act; and

(bb) the budget-related policies;

(ii) the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and

(iii) any consultative processes forming part of the processes referred to in subparagraphs (i) and (ii).

8.3 Section 7 (1) of the Local Government: Municipal Finance Management Act, 2003, Municipal Budget and Reporting Regulations, 2009 (hereafter MBRR) states that: “the Municipal Manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or any or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21 (1)(b) of the MFMA”.

8.4 Section 7 (1) reference (1) of the MBRR, further states that “as defined in section 1 of the MFMA. Policies that affect or are affected by the annual budget of a municipality include …(g) a policy related to the long-term financial plan”.

8.5 Section 21 (1)(a) of the MFMA states that the mayor of a municipality must coordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget related policies to ensure that the tabled budget and any revision of the integrated development plan and budget related policies are mutually consistent and credible.

8.6 Section 53(1)(a) of the MFMA states that the mayor of the municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget. Section 4 (1) of the MBRR states “that the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA”.

8.7 Section 26 (h) of the Local Government: Municipal Systems Act 32 of 2000 (hereafter the MSA) states that “An Integrated Development Plan must reflect a financial plan, which must include a budget projection for at least the next three years”.

9. POLICY DIRECTIVE DETAILS

9.1 Financial strategies

9.1.1 An intrinsic feature of the LTFP is to give effect to the Municipality’s financial strategies. These strategies include

9.1.1.1 Maintaining or improving basic municipal services;

9.1.1.2 Maintaining fair, equitable and cost reflective rates and tariff increases;

9.1.1.3 Continuous improvement to the financial position;

9.1.1.4 Ensuring funding for asset maintenance and renewal;

9.1.1.5 Ensuring realistic revenue sources and affordable debt levels to fund the capital budget;

9.1.1.6 Optimizing utilization of previous years’ surpluses (if any);

9.1.1.7 Achieving and maintaining a breakeven/surplus in the total Operating budget (inclusive of appropriations and secondary budget); and

9.1.1.8 Ensuring full cost recovery for the provision of internal services.

9.2 Non – financial strategies

The LTFP is a key component for achieving the goals listed in the IDP of the municipality and must consider the IDP inclusive of other Municipality strategies and frameworks.

9.2.1 In preparation of the LTFP

9.2.1.1 The fiscal overview must be considered by reviewing past financial performance and taking into account strategic and policy direction of the Municipality to ensure sustainability.

9.2.1.2 The LTFP being a forecasting model requires assumptions on, amongst other, the following internal and external factors:

(a) External factors – demographic trends related to socio economic factors e.g., Population migration, employment, health, development of businesses, and new residential areas, etc.;

(b) General inflation outlook and its impact on the municipal activities;

(c) Affordability of municipal rates and tariffs;

(d) Credit rating outlook;

(e) Interest rates for borrowing and investment of funds;

(f) Rates, tariffs, charges and timing of revenue collection;

(g) Growth or decline in tax base of the municipality;
(h) Collection rates for each revenue source;
(i) Price movements on specifics e.g., bulk purchases of water and electricity, fuel etc.;
(j) Average salary increases;
(k) Industrial relations climate, reorganisation and capacity building;
(l) Changing demand characteristics (demand for services);
(m) Trends in demand for free or subsidised basic services;
(n) Impact of national, provincial and local policies;
(o) Ability of the municipality to spend and deliver on the programmes;
(p) Implications of organisational restructuring and other major events into the future;
(q) Consideration of the Cost Containment Regulatory measures; and
(r) Sector Plans and Infrastructure Masterplans.

9.2.1.3 Intergovernmental fiscal transfers/allocations/subsidies from National and Provincial government play a pivotal role in the finances of the Municipality. The following unconditional transfers/allocations must be considered, as a minimum, when projecting the budget:

(a) Local Government Equitable Share;
(b) Fuel levy; and
(c) Grants related to the provision of Provincial government functions.

9.3 The annual updated LTFP must identify the following:

9.3.1 Assumptions and parameters to be used to compile the operating- and capital budget over the next MTREF;

9.3.2 Future operating revenue and expenditure projections based on assumptions and parameters;

9.3.3 Future affordability of projected capital plans; and

9.3.4 Funding requirements, which include external funding.

10. POLICY AMENDMENT

10.1 This policy must be reviewed on an annual basis, or as required due to any contextual/legislative changes.

10.2 Changes in financial strategy, non–financial strategic strategies and legislation must be taken into account for future amendments to this policy.

10.3 Any amendments must be tabled to Council for approval as part of the budget process.

11. APPROVAL AND EFFECTIVE DATE

11.1 This policy shall be implemented once approved by Council.