



Annexure 5

Policies

2016/2017

Medium Term Revenue and Expenditure Framework (MTREF)

KNYSNA MUNICIPALITY



BUDGET POLICY

Effective date: 1 July 2016

Table of Contents

1.	DEFINITIONS	3
2.	ABBREVIATIONS	9
3.	INTRODUCTION	9
4.	OBJECTIVE	9
5.	BUDGETING PRINCIPLES	10
6.	BUDGET PREPARATION PROCESS	13
7.	FUNDING OF BUDGET	15
8.	UNSPENT FUNDS AND ROLLOVER OF BUDGET	15
9.	BUDGET TRANSFERS AND VIREMENTS	16
10.	ADJUSTMENT BUDGETS	18
11.	UNFORESEEN AND UNAVOIDABLE EXPENDITURE	19
12.	UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE	21
13.	BUDGET IMPLEMENTATION	23
14.	CONCLUSION	25
15.	REVIEW	25

1. DEFINITIONS

"Accounting Officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA;

"Allocation" means

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to the municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to the municipality in terms of a provincial budget; or
- (d) any other allocation of money to the 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

- (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;

"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 the 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 section 3 of the municipal property rates Act;
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
- (e) a borrowing policy which must comply with Chapter 6 of the Act;

- (f) *a funding and reserves policy;*
- (g) *a policy related to the long-term financial plan;*
- (h) *the supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;*
- (i) *any policies dealing with the management and disposal of assets;*
- (j) *any policies dealing with infrastructure investment and capital projects, including –*
 - (i) *the policy governing the planning and approval of capital projects; and*
 - (ii) *the policy on developer contributions for property developments;*
- (k) *the indigents policy of the municipality;*
- (l) *any policies related to the provision of free basic services;*
- (m) *any policies related to budget implementation and monitoring including –*
 - (i) *a policy dealing with the shifting of funds within votes;*
 - (ii) *a policy dealing with unforeseen and unavoidable expenditure; and*
 - (iii) *policies dealing with management and oversight;*
- (n) *any policies related to the managing electricity and water including –*
 - (i) *a policy related to the management of losses; and*
 - (ii) *a policy to promote conservation and efficiency;*
- (o) *any policies related to personnel including policies on overtime, vacancies and temporary staff;*
- (p) *any policies dealing with municipal entities, including –*
 - (i) *the service delivery agreement; and*
 - (ii) *the dividend preference of the municipality; and*
- (q) *any other budget-related or financial management policies of the municipality.*

"Budget transfer" means the transfer of an approved budget allocation from one operating or capital line item to another within a vote, with the approval of the relevant senior manager;

"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;

"Capital Budget" means the approved budget for capital items in a given fiscal period. Capital items are assets with a life expectancy of more than one financial year such as property, plant and equipment. The cost of which is normally written off over a number of fiscal periods;

"Chief Financial Officer" means a person designated in terms of section 80(2) (a) of the MFMA;

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

"Councillor" means a member of council;

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

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

"Delegation" means the power to perform a function or duty which is given to office bearer, councillor or staff members either in terms of Sect 59 of the MSA or Sect 79 of the MFMA;

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

"Generally recognised accounting practice" means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

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

"Financial year" means a twelve months period commencing on 1st July and ending on 30th June each year;

"Financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which the 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;

"Investment" in relation to funds of the municipality, means –

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

"Irregular expenditure" means –

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

"Lender" means a person who provides debt finance to the 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 council" or "council" means the council of the 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 the municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

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

"Municipality" means –

- (a) when referred to as a corporate body, means the municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means the municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

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

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

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

"Municipal tariff" means a tariff for services which the 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 the municipality may impose;

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

"Official" means –

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

"Overspending"

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

"Past financial year" means the financial year preceding the current year;

"Quarter" means any of the following periods in a financial year –

- (a) 1 July to 30 September refer to as the 1st quarter;
- (b) 1 October to 31 December refer to as the 2nd quarter;
- (c) 1 January to 31 March refer to as the 3rd quarter; or
- (d) 1 April to 30 June refer to as the 4th quarter;

"Ring Fenced" means an exclusive combination of line items grouped for specific purposes for instance salaries and wages. Annexure "B" provides a current item structure within ring fenced groups;

"Scoa" means the standard chart of accounts;

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

- (a) projections for each month of:
 - (i) revenue to be collected, by source; and

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

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

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

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

"Virement" means the process of transferring an approved budget allocation from one vote to another, with the approval of the Municipal Manager. To enable senior managers to amend budgets in the light of experience or to reflect anticipated changes;

"Vote" means one of the main segments into which a budget of a municipality is divided for the appropriation of funds 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. Annexure "A" provides the current Vote structure as well as the assigned senior manager;

"Vote holder" means the director and/or senior manager to which the vote is assigned.



2. ABBREVIATIONS

CFO – Chief Financial Officer

CM – Council Minute

IDP – Integrated Development Plan

MFMA – Municipal Finance Management Act, Act No. 56 of 2003

MSA – Municipal Systems Act, Act No.32 of 2000

MTREF – Medium Term Revenue and Expenditure Framework

SDBIP - Service Delivery and Budget Implementation Plan

3. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, the Council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to Section 16(2) of the MFMA the executive mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.

This policy must be read, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this is the formulation of a municipal budget that must take into account the government's macro-economic and fiscal policy fundamentals.

It is imperative that the budget process is as consultative and inclusive as possible.

4. OBJECTIVES

The objectives of this budget policy is to set out a framework to deal with –

- (a) The preparation of the MTREF budget;*
- (b) The shifting or virement of funds and budget allocations;*
- (c) The introduction of any adjustment budgets;*
- (d) Unforeseen and unavoidable expenditure;*

- (e) Irregular expenditure;
- (f) Fruitless and wasteful expenditure; and
- (g) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

5. BUDGETING PRINCIPLES

5.1 The Municipality **shall not budget for** a cash deficit and should ensure that revenue projections in the budget are realistic taking into account actual collection levels.¹

5.2 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.

5.3 The Municipality shall prepare a three-year budget (MTREF budget) and Council shall approve said budget.

5.4 The MTREF budget must at all times be within the framework of the approved Municipal Integrated Development Plan.

5.5 Capital budget:

5.5.1 Only expenditure that meets the definition of a capital budget as per section 1 of this policy shall be included in the capital budget.

5.5.2 The capital budget shall distinguish between replacement and new assets.

5.5.3 The envisaged sources of funding for the capital budget must be properly considered. Council must be satisfied that this funding is available and has not been committed for other purposes.

5.5.4 Before approving a capital project, Council **must** consider:

(a) the projected cost of the project over all the ensuing financial years until the project becomes operational; and

(b) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on the operating budget.

5.5.5 Before approving the capital budget, the Council **shall** consider:

(a) the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans;

(b) depreciation of fixed assets;

¹Refer to the approved Funding and Reserves Policy

(c) *maintenance of fixed assets, and*

(d) *any other ordinary operational expenses associated with any item on such capital budget.*

5.5.6 *The capital expenditure shall be funded from the following sources:*

(a) *Revenue or Surplus (Cash Resources)*

Any financing activity from this source must be included in the cash budget to raise sufficient cash for the expenditure. In order for the commencement of expenditure on an item financed from this source the full amount of physical cash must be ring fenced or set aside from normal operating funds.

(b) *New borrowings (External loans)*

External loans can only be raised if they are linked to the financing of an asset. A capital item to be financed from an external loan can only be included in the budget if the loan has been secured or if it can reasonably be assumed as being secured. The loan redemption period should not exceed the estimated life span of the asset. Interest payable on external loans shall be included as a cost in the operating budget. Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

(c) *Capital Replacement Reserve (CRR)*

Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. The following sources of funds must be used to establish this reserve:

- o unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;*
- o interest on the investments of the CRR, appropriated in terms of the investments policy;*
- o additional amounts appropriated as contributions in each annual or adjustments budget;*
- o interest earned on investments of unutilised grants;*
- o VAT claimed back on grants and subsidies; and*
- o proceeds from the sale of assets.*

Before any asset can be financed from the CRR the physical cash must be available within the reserve. If there is insufficient cash available to fund the CRR reserve then the reserve must be adjusted to equal the available cash. Transfers to the CRR must be budgeted for in the cash budget.

(d) *Transfer and Grants / Public Donations and Contributions*

Non capital expenditure funded from grants must be budgeted for as part of the revenue budget.

- *Expenditure must be reimbursed from the funding creditor and recognised in the operating budget as transfers recognised – operational and must be budgeted for as such.*

Capital expenditure must be budgeted for in the capital budget.

- *Expenditure must be reimbursed from the funding creditor and recognised in the operating budget as transfers recognised – capital and must be budgeted for as such.*
- *Budgeted grant funding does not need to be cash backed but cash should be secured before spending can take place.*

All unutilized grants received must be ring fenced and cash backed from available cash/cash equivalents and/or investments.

5.6 Operational budget:

The Municipality shall budget in each annual and adjustments budget for the contribution to²:

- (a) provision for accrued leave entitlements equal to 100% of the accrued leave;*
- (b) continued employee benefits as at 30 June of each financial year;*
- (c) provision for the impairment of debtors taking into account prior year, current year improvements and future improvement in debt collection percentages;*
- (d) provision for the obsolescence and deterioration of stock in accordance with its stores management policy;*
- (e) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;*
- (f) A percentage of the operating budget component of each annual and adjustments budget shall be set aside for maintenance as determined in the Funding and Reserves Policy.*

When considering the draft annual budget, Council shall consider the impact, which the proposed increases in rates and service tariffs will have on the municipal accounts of households.

The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

The operating budget shall reflect the impact of the capital component on:

- *Depreciation charges;*
- *Repairs and maintenance expenses;*
- *Interest payable on external borrowings; and*

²See approved Funding and Reserves Policy where applicable

- other operating expenses.

The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes as income foregone and/or as per MFMA Circular requirements issued by National Treasury from time-to-time.

6. BUDGET PREPARATION PROCESS

6.1 Formulation of the budget

The Accounting Officer with the assistance of the Chief Financial Officer, Manager (Budget) and the Manager (IDP) shall prepare a draft IDP & Budget process plan with timetables for the municipality including municipal entities for the ensuing financial year.

The Executive Mayor shall table the IDP & Budget process plan to Council not later than 31 August of each year for approval.

The IDP and Budget process plan shall indicate the key deadlines for the review of the IDP as well as the preparation of the MTREF budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, Municipal Budget and Reporting regulations, the District Municipality IDP Framework as well as the guidelines set by National Treasury.

The Executive Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP & Budget 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 Executive Mayor shall table the draft IDP and MTREF budget to Council by 31 March of each year together with the draft resolutions and budget related policies.

The Chief Financial Officer and senior managers undertake the technical preparation of the budget. The budget must be in the format prescribed by the MFMA: Municipal Budget and Reporting Regulations.

The budget must contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated figures for the current year and the three prior year actual outcomes.

6.2 Public participation process

Immediately after the draft annual budget has been tabled, the Municipality must convene public meetings on the draft budget and invite the public, stakeholder organisations, to make representation at these meetings and to submit comments in response to the draft budget.

6.3 Approval of the budget

Council shall consider the Annual Budget for approval not later than 31 May for the ensuing financial year. The Council resolution, must contain the budget policies and performance measures to be adopted.

Should the Council fail to approve the budget before the start of the budget year, the Executive Mayor must inform the MEC for Finance that the budget has not been approved.

The budget tabled to Council for approval shall include the following supporting documents as required by the MFMA:

- (a) draft resolutions approving the budget;*
- (b) levying property rates, other taxes and tariffs for the financial year concerned;*
- (c) measurable performance objectives for each budget vote, taking into account the municipality's IDP;*
- (d) the projected cash flows for the financial year by revenue sources and expenditure votes;*
- (e) any proposed amendments to the IDP;*
- (f) any proposed amendments to the budget-related policies;*
- (g) the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the Accounting Officer, the Chief Financial Officer, and other senior managers;*
- (h) particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;*
- (i) particulars of the municipality's investments; and*
- (j) various information in regard to municipal entities under the shared or sole control of the municipality*

6.4 Publication of the budget

6.4.1 Within 10 working days after the draft annual budget has been tabled, the Accounting Officer must ensure that the draft budget and other budget-related documentation are posted onto the municipal website so that it is accessible to the public.

6.4.2 The Chief Financial Officer must within 10 working days after the draft annual budget is tabled:

- (a) *submit the tabled draft budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website; and*
- (b) *ensure that a newspaper advertisement is placed that the draft budget is available at the Municipal offices and available for comments.*

6.4.3 Once Council has approved the budget the Chief Financial Officer must within 10 working days:

- (a) *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; and*

6.5 Service Delivery and Budget Implementation Plan (SDBIP)

The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.

The SDBIP shall include the following components:

- (a) *Monthly projections of revenue to be collected for each source;*
- (b) *Monthly projections of expenditure (operating and capital) and revenue for each vote;*
- (c) *Quarterly projections of service delivery targets and performance indicators for each vote;*
- (d) *Ward information for expenditure and service delivery; and*
- (e) *Detailed capital works plan broken down by ward over three years*

7. FUNDING OF BUDGET

The budget must be funded in terms of the Council's approved Funding and Reserves Policy.

8. UNSPENT FUNDS AND ROLLOVER OF BUDGET

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, excluding in the following instances:

- (a) *Funds relating to capital expenditure; or*
- (b) *Unspent grants (if the conditions for such grant funding allows that).*

Conditions of the grant funding shall be taken into account in applying for such rollover of funds.

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 at least 30 days (31 May each year) prior the end of that particular financial year.

No unspent operating budget shall be rolled over to the next budget year.

Any application for a rollover of capital funds must be forwarded to the Budget Office by the latest 15th of July of each year. Only these applications will be considered for inclusion in an adjustment budget. The adoption by Council will take place not later than 25th August.

9. BUDGET TRANSFERS AND VIREMENTS

9.1 Objective

The objective of this section is to allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings as they arise to accelerate service delivery in a financially responsible manner.

9.2 Financial Responsibilities

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within an individual vote is identified at the earliest possible opportunity.

The Accounting Officer has a statutory duty to ensure an effective system of financial control, specifically to ensure compliance with Section 15 of the MFMA, is in place. The budget transfer and virement process is one of these controls.

It is the responsibility of each senior manager and/or head of a department/activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted.

In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.

9.3 Virement Restrictions³

9.3.1 No virement may take place between votes without consent of both vote holders and the approval of the Municipal Manager.

9.3.2 Accumulated virements may not exceed a maximum annual limit of 5 per cent per vote from which the virement originates.

9.3.3 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.

9.3.4 No virements may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year.

³Between Votes, i.e. Directorates

- 9.3.5 *An approved virement does not give expenditure authority and all expenditure resulting from approved virements are still subject to the supply chain management policy of Council as periodically reviewed.*
- 9.3.6 *Virements may not be made between Expenditure and Income.*
- 9.3.7 *No virements are allowed in terms of income line items.*
- 9.3.8 *No virements are allowed between the capital and operating budget.*
- 9.3.9 *Virements must not result in new projects on the capital budget.*
- 9.3.10 *Virements of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.*
- 9.3.11 *Any virements from a repairs and maintenance vote will be reported to the finance committee at its next meeting*

9.4 Budget Transfer Restrictions

- 9.4.1 *No funds may be transferred between line items without authorisation of the vote holder.*
- 9.4.2 *Accumulated transfers may not exceed a maximum limit of 20 per cent per vote prior to the midyear adjustments budget and 15 per cent per vote after the midyear adjustments budget.*
- 9.4.3 *No funds may be transferred from or to items as indicated in Annexure B.*
- 9.4.4 *Funds may only be transferred from or to the ring fenced group of employee related costs if approved by the CFO.*
- 9.4.5 *Transfers in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.*
- 9.4.6 *No transfers are permitted in the first or the final month of the financial year without the express agreement of the CFO.*
- 9.4.7 *An approved transfer does not give expenditure authority and all expenditure resulting from approved transfers must still be subject to the supply chain management policy of Council as periodically reviewed.*
- 9.4.8 *Transfers may not be made between Expenditure and Income.*
- 9.4.9 *No transfers are allowed in terms of income line items.*
- 9.4.10 *No transfers are allowed between the capital and operating budget.*
- 9.4.11 *Transfers should not result in new projects on the capital budget.*
- 9.4.12 *Transfers of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.*

9.5 Virement and Budget Transfer Procedure

- 9.5.1 *All virement/transfer requests must be completed on the appropriate documentation and forwarded to the official responsible to process the virement/transfer.*
- 9.5.2 *All virements must be signed by the initiator, both vote holders and the Chief Financial Officer.*
- 9.5.3 *All budget transfers must be signed by the initiator, the authorised vote holder and the Manager (Budgets).*
- 9.5.4 *Budget transfers in excess of R 200,000 require the approval of the Chief Financial Officer.*
- 9.5.5 *All documentation must be compiled and approved in line with the delegations as per section 79 of the MFMA before any expenditure can be committed or incurred.*

10. ADJUSTMENT BUDGETS

Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and Reporting regulations section 23.

Section 28 (2) of the MFMA determines when an adjustment must be done and when it may be prepared.

The Accounting Officer must promptly prepare an adjustment budget if a material under-collection of revenues arises or is apparent.

The Accounting Officer shall prepare an adjustment budget and appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council.

The Council may in an adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.

“(2) An adjustments budget—

- (a) **must** adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- (b) **may** appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- (c) **may**, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) **may** authorise the utilisation of projected savings in one vote towards spending under another vote;*

- (e) **may** authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- (f) **may** correct any errors in the annual budget; and
- (g) **may** provide for any other expenditure within a prescribed framework."

The CFO shall ensure that an adjustments budget:

- i. Is prepared in accordance with the MFMA: Municipal Budget and Reporting Regulations;
- ii. Reflects the budget priorities determined by Council;
- iii. Complies with all budget-related policies; and
- iv. Shall make recommendations to the Executive Mayor on the revision of the IDP and the budget-related policies where these are needed.

An adjustments budget must contain all of the following:

- i. an explanation of how the adjustments affect the approved annual budget;
- ii. appropriate motivations for material adjustments; and
- iii. an explanation of the impact of any increased spending on the current and future annual budgets.

Any un-appropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance an adjustments budget, but shall be appropriated to the municipality's capital replacement reserve if cash-backed.

Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan compiled in terms of section 141 of the MFMA.

Unauthorised expenses may be authorised in an adjustments budget.

11. UNFORESEEN AND UNAVOIDABLE EXPENDITURE

Before the Executive Mayor considers any authorization of unforeseeable and unavoidable expenditure in terms of Section 29 of the MFMA, the Accounting Officer will ensure that a report is prepared consisting of all the relevant information in order for the Executive Mayor to make an informed decision. This report will be prepared in the prescribed format attached as Annexure C.

The Executive Mayor may authorise such expenses in an emergency or other exceptional circumstances in terms of Section 29 of the MFMA only if:

- (a) *the expenditure could not have been foreseen at the time the annual budget of the municipality was passed⁴; **AND***
- (b) *the delay that will be caused pending approval of an adjustments budget by the municipal Council in terms of section 28(2)(c) of the Act to authorise the expenditure may –*
- *result in significant financial loss for the municipality;*
 - *cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;*
 - *lead to loss of life or serious injury or significant damage to property; or*
 - *obstruct the municipality from instituting or defending legal proceedings on an urgent basis.*

The Executive Mayor **MAY NOT** authorise expenditure in terms of section 29 of the Act if the expenditure -

- (a) *was considered by the Council, but not approved in the annual budget or an adjustments budget⁵; **OR***
- (b) *is required for-*
- *price increases of goods or services during the financial year;*
 - *new municipal services or functions during the financial year;*
 - *the extension of existing municipal services or functions during the financial year;¹²*
 - *the appointment of personnel during the financial year; or*
 - *allocating discretionary appropriations to any vote during the financial year; or*
- (c) *would contravene any existing Council policy; or*
- (d) *is intended to ratify irregular or fruitless and wasteful expenditure.*

The accumulated authorised amount/s may not exceed 4 per cent of the approved own revenue included in the annual budget.

The authorization must be reported by the Executive Mayor to the next Council meeting.

⁴An item is considered as having been foreseen if a department has received notification thereof from any external source (such as consultant reports, etc.); legal action has been instituted against the municipality relating to the item; if any report has been submitted to a committee of Council bringing the item to the attention of Council.

⁵Same as for footnote 4.

The Accounting Officer must ensure preparation of an adjustment to include the expenses within 30 days after the expenses were incurred.

The Executive Mayor must ensure that Council approves the adjustments budget within sixty days after the expenses were incurred.

12. UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

12.1 UNAUTHORISED EXPENDITURE

The Accounting Officer, with the assistance of the CFO and other senior managers, must ensure that no unauthorised expenditure occurs as per definition included in section 1 of this document.

In the event that the Accounting Officer, CFO or any other senior manager, becomes aware of the fact that a decision taken is likely to result in unauthorised expenditure, then that official must immediately in writing report the incident to the Accounting Officer or Executive Mayor as the case may be.

In the event that unauthorised expenditure has occurred, then the relevant senior manager, vote holder within which vote the expenditure occurred, must prepare a report within 10 working days after it came to his/her knowledge.

This report must address at least the following:

- *Background to the occurrence;*
- *Financial implications;*
- *Steps taken to prevent or rectify these internal control measures;*
- *Person responsible of the occurrence; and*
- *Recoverability of the amount.*

This report must then be tabled with the Accounting Officer's recommendation to the Council committee responsible to deal with the investigation in terms Section 32(2) (a) of the MFMA.

Should such a committee not have been established, then the report must be tabled at the Finance and Governance committee.

The Accounting Officer, in terms of section 32(4) of the MFMA, must promptly inform the Executive Mayor, the MEC for Local Government and the Auditor-General of the occurrence.

The Committee responsible to deal with the investigation in terms Section 32 of the MFMA; may consider the following resolutions, apart from corrective action decisions to prevent re-occurrence:

- A. *Recommend that it must be taken-up in an adjustment budget; or*
- B. *That the recovery of the money must commence from the person liable; or*

C. Certify that it is irrecoverable and must be written-off by Council.

Within 48 hours of the resolution taken by this committee, the Director Corporate Services must inform the CFO of the result.

The action to be taken by the CFO:

- *In the case of resolution A, the CFO prepares an adjustment for the Executive Mayor to table to Council; or*
- *In the case of resolution B, the CFO must put measures in place to transfer the expense to debtors accounts and commence with collection mechanisms at his/her disposal to recover the money due from the person liable; or*
- *In the case of resolution C, the CFO must report as such in the Annual Financial statements.*

12.2 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

The Accounting Officer, with the assistance of the CFO and other senior managers, must ensure that no irregular or fruitless and wasteful expenditure occurs as per definition included in section 1 of this document.

In the event that the Accounting Officer, CFO or any other senior manager, becomes aware of the fact that a decision taken is likely to result in irregular or fruitless and wasteful expenditure, then that official must immediately in writing report the incident to the Accounting Officer or Executive Mayor as the case may be.

In the event that irregular or fruitless and wasteful expenditure has occurred, then the relevant senior manager, vote holder within which vote the expenditure occurred, must prepare a report within 10 working days after it came to his/her knowledge.

This report must address at least the following:

- *Background to the occurrence;*
- *Financial implications;*
- *Steps taken to prevent or rectify these internal control measures;*
- *Person responsible of the occurrence; and*
- *Recoverability of the amount.*

This report must then be tabled with the Accounting Officer's recommendation to the Council committee responsible to deal with the investigation in terms Section 32(2) (b) of the MFMA.

The Accounting Officer, in terms of section 32(4) of the MFMA, must promptly inform the Executive Mayor, the MEC for Local Government and the Auditor-General of the occurrence.

The Committee responsible to deal with the investigation in terms Section 32 of the MFMA; may consider the following resolutions, apart from corrective action decisions to prevent re-occurrence:

A. That the recovery of the money must commence from the person/s liable; or

B. Certify that it is irrecoverable and must be written-off by Council.

Within 48 hours of the resolution taken by this committee, the Director Corporate service must inform the CFO of the result.

The action to be taken by the CFO:

- In the case of resolution A, the CFO must put measures in place to transfer the expense to debtors accounts and commence with collection mechanisms to his/her disposal to recover the money due from the person liable; or*
- In the case of resolution B, the CFO prepares an adjustment for the Executive Mayor to table it to Council*

The Accounting Officer must in terms of Section 32(6) of the MFMA report to South African Police Services all cases of alleged –

- (a) irregular expenditure that constitute a criminal offence; and*
- (b) theft and fraud that occurred in the municipality.*

The Council must take all reasonable steps in terms of Section 32(7) of the MFMA to insure that all cases in term of Section 32(6) are reported to the South African Police Service if –

- (a) the charge is against the Accounting Officer; or*
- (b) the Accounting Officer fails to comply with that subsection.*

Refer to Appendix D for examples of Irregular, Fruitless and Wasteful expenditure.

13. BUDGET IMPLEMENTATION

13.1 Monitoring

The Accounting Officer, with the assistance of the CFO and other senior managers, is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- (a) Funds are spent in accordance with the budget;*
- (b) Expenses are reduced if expected revenues are less than projected; and*
- (c) Revenues and expenses are properly monitored.*

The Accounting Officer, with the assistance of the CFO, must prepare any adjustment budgets when such budget is necessary and submit it to the Executive Mayor for consideration and tabling to Council.

The Accounting Officer, with the assistance of the CFO, must ensure that the Municipality has and maintains an effective system of expenditure control in order to assist with budget control. Budget control must be performed on the lowest level of the budget, as well as the starting activity of an expense (i.e. by line item).

The Accounting Officer, with the assistance of the CFO, must ensure that the Municipality has and maintains effective systems of:

- *Revenue collection; and*
- *Debtor management.*

The assumptions on which the revenue forecasts was based must be monitored on at least a bi-annual basis.

The Accounting Officer, with the assistance of the CFO and other senior managers, 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

13.2 Reporting

13.2.1 Monthly budget statements

The Accounting Officer, with the assistance of the CFO, must not later than ten working days after the end of each calendar month, submit to the Executive 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.

The report to the National Treasury must be both in electronic format and in a signed written document.

13.2.2 Quarterly Reports

The Accounting Officer, with the assistance of the CFO, must assist the Executive Mayor; in his/her duties in terms of section 52(d) of the MFMA to 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.

13.2.3 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.

The Accounting Officer must then submit a report on such assessment to the Executive Mayor, Provincial Treasury and National Treasury by 25 January each year. The Executive Mayor must table this report to the Council by 31 January each year.

The Accounting Officer may in such report make recommendations, after considering the recommendation of the CFO, to prepare an adjustment budget.

14. CONCLUSION

The Director Corporate Services must place and maintain on the municipality's official website the following documents:

- (a) Annual and adjustments budgets and all budget-related documents;*
- (b) All budget-related policies;*
- (c) Integrated Development Plan;*
- (d) Annual report;*
- (e) All performance agreements;*
- (f) All service delivery agreements;*
- (g) All long-term borrowing contracts; and*
- (h) All quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.*

15. REVIEW

This Budget Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of this policy must be approved by Council. This policy must be reviewed and submitted for consideration by Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

APPENDIX A

COST CENTRE (Department) & VOTE STRUCTURE			
Cost centre	Municipal Votes	Vote Holder (Section 57 appointee)	Sub Vote Holder (Other Sect 57 or line manager)
Vote: Executive and Council			
31: Council: General Expenses	Executive & Council	Municipal Manager	Director: Corporate
32: Municipal Manager	Executive & Council	Municipal Manager	Manager: Performance
45: Communication	Executive & Council	Municipal Manager	Manager: Communications
98: Performance, Risk & I/Audit	Executive & Council	Municipal Manager	Manager: Performance
Vote: Corporate Services			
33: Director: Corporate Services	Corporate Services	Director: Corporate	Director: Corporate
34: Document Management	Corporate Services	Director: Corporate	Manager: Document Management
35: Human Resources	Corporate Services	Director: Corporate	Manager: Human Resources
36: Legal Services	Corporate Services	Director: Corporate	Manager: Legal Services
37: Committee Services	Corporate Services	Director: Corporate	Manager: Committee Services
42: Public Participation	Corporate Services	Director: Corporate	Manager: Public Participation
74: Estates	Corporate Services	Director: Corporate	Manager: Document Management
95: Administration	Corporate Services	Director: Corporate	Manager: Administration
Vote: Financial Services			
62: Director: Financial Services	Financial Services	Director: Finance	Manager: Budget Office
63: Assessment Rates	Financial Services	Director: Finance	Manager: Budget Office
64: Payroll Management	Financial Services	Director: Finance	Manager: Expenditure
65: Meter reading	Financial Services	Director: Finance	Manager: Income
66: Management Information Services	Financial Services	Director: Finance	Manager: Information Technology
67: Finance Income	Financial Services	Director: Finance	Manager: Income
68: Stores & Materials Management	Financial Services	Director: Finance	Manager: Expenditure
69: Finance Expenditure	Financial Services	Director: Finance	Manager: Expenditure

COST CENTRE (Department) & VOTE STRUCTURE

Cost centre	Municipal Votes	Vote Holder (Section 57 appointee)	Sub Vote Holder (Other Sect 57 or line manager)
70: Budget Office	Financial Services	Director: Finance	Manager: Budget Office
97: Procurement	Financial Services	Director: Finance	Manager: Expenditure
Vote: Planning & Development			
48: Housing: Administration	Planning & Development	Director: Planning & Development	Manager: Housing
49: Housing: Letting Schemes	Planning & Development	Director: Planning & Development	Manager: Housing
50: Housing: Selling Schemes	Planning & Development	Director: Planning & Development	Manager: Housing
54: Integrated Development Planning	Planning & Development	Director: Planning & Development	Manager: IDP
78: Director: Planning & I.H.S	Planning & Development	Director: Planning & Development	Manager: Town Planning
83: Environmental Services	Planning & Development	Director: Planning & Development	Manager: Town Planning
84: Local Economic Development	Planning & Development	Director: Planning & Development	Manager: LED
85: Town Planning & Building Control	Planning & Development	Director: Planning & Development	Manager: Town Planning
Vote: Community Services			
51: Library	Community Services	Director: Community	Manager: Library Services
81: Museum & Heritage Buildings	Community Services	Director: Community	Manager: Library Services
41: Halls / Facilities	Community Services	Director: Community	Manager: Safety & Security
55: Disaster Management	Community Services	Director: Community	Manager: Safety & Security
56: Safety: Fire Brigade Service	Community Services	Director: Community	Manager: Safety & Security
57: Safety: Law Enforcement	Community Services	Director: Community	Manager: Safety & Security
59: Safety: Traffic Department	Community Services	Director: Community	Manager: Safety & Security
58: Safety: Vehicle Licensing	Community Services	Director: Community	Manager: Safety & Security
53: Parks & Recreation	Community Services	Director: Community	Chief Parks
60: Sport Fields	Community Services	Director: Community	Chief Parks
61: Swimming Pools	Community Services	Director: Community	Chief Parks
39: Cemeteries	Community Services	Director: Community	Manager: Waste Management
72: Refuse Removal	Community Services	Director: Community	Manager: Waste Management
73: Transfer Station	Community Services	Director: Community	Manager: Waste Management
79: Street Cleaning	Community Services	Director: Community	Manager: Waste Management

COST CENTRE (Department) & VOTE STRUCTURE

Cost centre	Municipal Votes	Vote Holder (Section 57 appointee)	Sub Vote Holder (Other Sect 57 or line manager)
47: Public Toilets	Community Services	Director: Community	Manager: Waste Management
91: Sanitation Services	Community Services	Director: Community	Manager: Waste Management
Vote: Electrical Services			
75: Street Lighting	Electrical Services	Town Electrical Engineer	Principal Technician
76: Electricity Distribution	Electrical Services	Town Electrical Engineer	Principal Technician
77: Electricity Administration	Electrical Services	Town Electrical Engineer	Principal Technician
94: Workshop & Depot	Electrical Services	Town Electrical Engineer	Principal Technician
Vote: Technical Services			
80: Director: Technical	Technical Services	Director: Technical	Deputy Engineer / Area Manager
40: P/Works: Civic Buildings	Technical Services	Director: Technical	Deputy Engineer / Area Manager
87: P/Works : Storm Water	Technical Services	Director: Technical	Deputy Engineer / Area Manager
86: P/Works : Main Roads	Technical Services	Director: Technical	Deputy Engineer / Area Manager
88: P/Works : Streets	Technical Services	Director: Technical	Deputy Engineer / Area Manager
89: Sewerage Purification	Technical Services	Director: Technical	Deputy Engineer / Area Manager
90: Sewerage Reticulation	Technical Services	Director: Technical	Deputy Engineer / Area Manager
92: Water Works	Technical Services	Director: Technical	Deputy Engineer / Area Manager
93: Water Reticulation	Technical Services	Director: Technical	Deputy Engineer / Area Manager

APPENDIX B

BUDGET TRANSFER CLASSIFICATION

	Description	Ring Fence Grouping	Revenue or Expenditure Classification	Transfer From	Transfer to
	Contribution to AFR	Other adjustments & transfers	Expenditure	No	No
	Electricity Asset Replacement	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewerage Asset Replacement	Repairs & Maintenance	Expenditure	Yes	Yes
	Water Asset Replacements	Repairs & Maintenance	Expenditure	Yes	Yes
	Wtr Asset Replacement: Infrastructure	Repairs & Maintenance	Expenditure	Yes	Yes
	Tools & Equipment Replacement	Repairs & Maintenance	Expenditure	Yes	Yes
	Computer Equipment Replacement	Repairs & Maintenance	Expenditure	Yes	Yes
	Furniture and Office Replacement	Repairs & Maintenance	Expenditure	Yes	Yes
	Public Works Asset Replacement	Repairs & Maintenance	Expenditure	Yes	Yes
	Allowance: Housing Rental	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Housing Subsidy	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Locomotion – Fixed	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Scarcity	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Shifts (Night & Sun	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Uniforms/Protection	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Other	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Acting	Employee Related Costs	Expenditure	Yes*	Yes*
	Allowance: Non Pensionable	Employee Related Costs	Expenditure	Yes*	Yes*
	Bonuses	Employee Related Costs	Expenditure	Yes*	Yes*
	Contributions: Pension Fund	Employee Related Costs	Expenditure	Yes*	Yes*
	Contributions: Medical Aid Fund	Employee Related Costs	Expenditure	Yes*	Yes*
	Contr. Med Aid: Cont Members	Employee Related Costs	Expenditure	Yes*	Yes*
	Ex Gratia Pensions	Employee Related Costs	Expenditure	Yes*	Yes*
	External Bursary	Employee Related Costs	Expenditure	Yes*	Yes*

	Group Life Insurance	Employee Related Costs	Expenditure	Yes*	Yes*
	Industrial Council Levy	Employee Related Costs	Expenditure	Yes*	Yes*
	Internship Program (Council)	Employee Related Costs	Expenditure	Yes*	Yes*
	Leave paid out	Employee Related Costs	Expenditure	Yes*	Yes*
	Overtime Pay	Employee Related Costs	Expenditure	Yes*	Yes*
	Provision: Protective Clothing	Employee Related Costs	Expenditure	Yes*	Yes*
	Salaries	Employee Related Costs	Expenditure	Yes*	Yes*
	Salaries: Vacant Posts	Employee Related Costs	Expenditure	Yes*	Yes*
	Standby	Employee Related Costs	Expenditure	Yes*	Yes*
	Study Assistance / Bursaries	Employee Related Costs	Expenditure	Yes*	Yes*
	Temp/Casual Staff M/Aid Contr.	Employee Related Costs	Expenditure	Yes*	Yes*
	Temp/Casual Staff	Employee Related Costs	Expenditure	Yes*	Yes*
	Temp/Casual Staff UIF	Employee Related Costs	Expenditure	Yes*	Yes*
	Traveling Claims	Employee Related Costs	Expenditure	Yes*	Yes*
	Unemployment Insurance Fund	Employee Related Costs	Expenditure	Yes*	Yes*
	Volunteers Remuneration	Employee Related Costs	Expenditure	Yes*	Yes*
	NOT IN USE! Wages	Employee Related Costs	Expenditure	Yes*	Yes*
	Insurance W C A	Employee Related Costs	Expenditure	Yes*	Yes*
	Prov. Defn. Benefit: Health	Employee Related Costs	Expenditure	Yes*	Yes*
	Prov. Defn. Benefit: Long Service	Employee Related Costs	Expenditure	Yes*	Yes*
	Prov. Defn. Benefit: Ex-Gratia	Employee Related Costs	Expenditure	Yes*	Yes*
	Funded from Other Grant Contribution	Employee Related Costs	Expenditure	Yes*	Yes*
	Funding From MIG	Employee Related Costs	Expenditure	Yes*	Yes*
	Funding from National Treasury	Employee Related Costs	Expenditure	Yes*	Yes*
	Funding from Province	Employee Related Costs	Expenditure	Yes*	Yes*
	Funded from Project (Internal)	Employee Related Costs	Expenditure	Yes*	Yes*
	Funding from EDEN District	Employee Related Costs	Expenditure	Yes*	Yes*
	Employee Costs Allocated to Op	Employee Related Costs	Expenditure	Yes*	Yes*
	TASK Implementation Costs	Employee Related Costs	Expenditure	Yes*	Yes*

	<i>Bulk Purchases – Electricity</i>	<i>Bulk Purchases</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Bulk Purchases - Refuse Drums</i>	<i>Bulk Purchases</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Bulk Purchases - ESKOM Repayment</i>	<i>Bulk Purchases</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Agency Payments</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Agency Payment - Animal Welfare</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Maemsa Management Fee</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Penalty Disconnection Charges</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Prepaid Management Fees</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Prepaid Vendor Commission Fees</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Removal of Illegal Shacks</i>	<i>Outsourced</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Administration Charges</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Sports Development</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Prop Costs - Civic Buildings</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Prop Costs - MIS</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Prop Costs - Stores</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Prop Costs - Workshop & Depot</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Electricity</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Rates Rebate</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Refuse</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Sanitation</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Sewer Annual</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Sewer Monthly</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Water Monthly</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Charges - Water Annual</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Administration Charges: Housing</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Advertising</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Aids Budget</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>EAP & OHS</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Audit Fees – External</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>

	<i>Air Pollution Control</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Audit Committee Remuneration</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Connection Charge- Hsg Project</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Bank Charges</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Chemical Supplies</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Customer Care</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Collection Costs & Summonses</i>	<i>Collection Costs</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Commission - Debt Collection</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Community Development Workers</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Community Based Initiatives</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Councilors Contr Pension Fund</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Consumables</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Consultants Fees</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Computer Software</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Commission - Easy Pay/PostOffice</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Councilors Contr Medical Aid</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Contingencies</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Corporate Gifts</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Copyright Fees</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Councilors Remunerations</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Councilors :Office Allowance</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Councilors:Telephone Allowance</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Courier and Transport Costs</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Disaster Assistance/Donations</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Councilors Housing Allowance</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Councilors Locomotion Allowance</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Councilors Other Allowance</i>	<i>Councilors Remuneration</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Education Program - Litter</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Councilors: Pension Contribut</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>

	<i>Election Expenses</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>ESKOM Charges (Direct)</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Electricity Charges</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Driving Permits Reimbursement</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Entertainment & Functions</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Entertainment – Mayor</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Woman's Day Function</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Fire Hydrants</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Fire belt& Plot Clearing</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Events & Festivals</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Floral Arrangements</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Fuel and Oil</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Fuel and Oil: Small Plant</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Fuel Management Rental Fee</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Fuel Mngt Rental Small Plant</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid Animal Welfare</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid and Donations</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid Tourism</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid LED</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid HIV/AIDS</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid School Bursaries</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Grants-in-aid Bursaries</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Hakea Eradication</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Hornlee Creche I&R</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Hire Charges</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Hire Charges: Office Equipment</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Infectious Diseases Treatment</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Insurance 3rd Party</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Insurance: Broker Fees</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>

	<i>Insurance W C A</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Insurance: Non Claimable</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Irregular/Fruitless Expenditure</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>KEPMAP Project</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Land Sales Expenses</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Lease Charges</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Local Economic Development</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Legal Services</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Bargaining Council</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Dept. Transp:3% Learner</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy Establishment SCDM</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Occupation Hlth & Safet</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Services SCDM</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy-Shopst Fulltime SCDM&Ouds</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Skills Development SETA</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Water Research Fund</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Levy - Water Gouritz CMA</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>License and Registr Fees Vehic</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>License and Registr Fees Softw</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Lost Books</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Mayor's Cup Sports Event</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Magistrate Salary Contribution</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Mayoral Donations</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Mayoral Deputy Donations</i>	<i>Grants & Subsidies paid</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Materials & Stores</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Materials & Stores: New Conns</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Network costs</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Materials & Stores: Hsg Conns</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>
	<i>Medical Treatments</i>	<i>General Expenses</i>	<i>Expenditure</i>	<i>Yes</i>	<i>Yes</i>

	<i>Medical Waste Disposal</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Membership Fees</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Newspapers</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Noise Control</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Office Accommodations Services</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Administration Fee</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Pre Paid Electricity</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Performance Management</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Pauper Burial</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>PEW: Feeding Scheme</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Pest Control</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Planning</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Postage,Rev Stamps,Box Rentals</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Purified Water Inventory</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Pound Costs</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Protective Clothing</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Printing Costs</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Professional Fees</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Property Rates Charges</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Purchase of Wheelie Bins</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Project</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Quality of Supply Metering</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>ICASA Radio Licenses</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Project: World Cup</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Recruitment Expenses</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Refreshments</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Refuse Cleanup Campaign</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Refuse Removal Charges</i>	<i>Internal Charges</i>	<i>Expenditure</i>	No	No
	<i>Refuse Removal: Transnet/M-Bay</i>	<i>Outsourced</i>	<i>Expenditure</i>	Yes	Yes

	Road Paint & Materials	General Expenses	Expenditure	Yes	Yes
	Removal of Bees	General Expenses	Expenditure	Yes	Yes
	Relocation Expenses	General Expenses	Expenditure	Yes	Yes
	Remote Server Access	General Expenses	Expenditure	Yes	Yes
	Removal of Trees Informal Area	General Expenses	Expenditure	Yes	Yes
	Reporting to Public	General Expenses	Expenditure	Yes	Yes
	Removal of Trees Project	General Expenses	Expenditure	Yes	Yes
	Rehabilitation of Tip Sites	General Expenses	Expenditure	Yes	Yes
	Sanitation Charges	Internal Charges	Expenditure	No	No
	Security Services: External	Internal charges	Expenditure	No	No
	Septic Tank Removals	General Expenses	Expenditure	Yes	Yes
	Service Criminal Process Docum	General Expenses	Expenditure	Yes	Yes
	Services - Other Local Authori	General Expenses	Expenditure	Yes	Yes
	Sewerage Charges	Internal Charges	Expenditure	No	No
	Stationery Costs	General Expenses	Expenditure	Yes	Yes
	Staff Interventions	General Expenses	Expenditure	Yes	Yes
	Street Children Assistance Prg	Internal charges	Expenditure	No	No
	Street Lighting	General Expenses	Expenditure	Yes	Yes
	Staff Study/Bursaries	General Expenses	Expenditure	Yes	Yes
	Subscriptions	General Expenses	Expenditure	Yes	Yes
	Sundries	General Expenses	Expenditure	Yes	Yes
	Sundry Services Recharged	General Expenses	Expenditure	Yes	Yes
	Swartvlei Costs	General Expenses	Expenditure	Yes	Yes
	Task Process	General Expenses	Expenditure	Yes	Yes
	Telephones	General Expenses	Expenditure	Yes	Yes
	Testing of Samples	General Expenses	Expenditure	Yes	Yes
	Training	General Expenses	Expenditure	Yes	Yes
	Transfer Return Fees Deeds Off	General Expenses	Expenditure	Yes	Yes
	Translation Services	General Expenses	Expenditure	Yes	Yes

	<i>Transport</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Travelling and Subsistence</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>WSDP Upgrading</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Unavoidable Expenditure</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Unforeseen Disaster</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Valuation Expenses</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Vehicle Management System</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Vehicle Testing (SABS Fee)</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Ward Committee/Council Support</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Water Investigation</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Water Charges</i>	<i>Internal Charges</i>	<i>Expenditure</i>	No	No
	<i>Water Research</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Way Leaves</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Website</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Youth Advisory Centre</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Youth and Gender Development</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Provision: Alien Vegetation Er</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Provision: Rehab Tip Sites</i>	<i>General Expenses</i>	<i>Expenditure</i>	Yes	Yes
	<i>Air-conditioning</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Buildings Estates</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Buildings</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Bulk Containers</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Buildings Restorations</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Computer Equipment</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Computer Software</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Contractors</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Desalination plant</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Electricity Infrastructure</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes
	<i>Fencing</i>	<i>Repairs & Maintenance</i>	<i>Expenditure</i>	Yes	Yes

	General Repairs	Repairs & Maintenance	Expenditure	Yes	Yes
	Grounds and Gardens	Repairs & Maintenance	Expenditure	Yes	Yes
	Housing	Repairs & Maintenance	Expenditure	Yes	Yes
	Infrastructure Rehabilitations	Repairs & Maintenance	Expenditure	Yes	Yes
	Office Furniture & Equipment	Repairs & Maintenance	Expenditure	Yes	Yes
	Other	Repairs & Maintenance	Expenditure	Yes	Yes
	Outsourced Maintenance	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active: Water management	Repairs & Maintenance	Expenditure	Yes	Yes
	Plant & Equipment	Repairs & Maintenance	Expenditure	Yes	Yes
	Plumbing	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active Infrastructure	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active Motor Control Panel	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active Pumps	Repairs & Maintenance	Expenditure	Yes	Yes
	Parks Program	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active: Dry Waste	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active: Drying Beds	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active: Old Ponds	Repairs & Maintenance	Expenditure	Yes	Yes
	Pro-active: Sludge Ponds	Repairs & Maintenance	Expenditure	Yes	Yes
	Seawalls	Repairs & Maintenance	Expenditure	Yes	Yes
	Repeater Stations	Repairs & Maintenance	Expenditure	Yes	Yes
	Analytical Services	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewer Purification Works	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewerage: Infrastructure	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewerage: Pumps	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewerage: Motor Control Panels	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewerage : Settling Tank	Repairs & Maintenance	Expenditure	Yes	Yes
	Sewerage: Sludge Lagoon	Repairs & Maintenance	Expenditure	Yes	Yes
	Streets: General Repairs	Repairs & Maintenance	Expenditure	Yes	Yes
	Streets: Regravelling	Repairs & Maintenance	Expenditure	Yes	Yes

	Streets: Resealing	Repairs & Maintenance	Expenditure	Yes	Yes
	Storm water Drains	Repairs & Maintenance	Expenditure	Yes	Yes
	Sports Grounds	Repairs & Maintenance	Expenditure	Yes	Yes
	Telemetry	Repairs & Maintenance	Expenditure	Yes	Yes
	Traffic Lights	Repairs & Maintenance	Expenditure	Yes	Yes
	Traffic Signs	Repairs & Maintenance	Expenditure	Yes	Yes
	Upgrading of Bulk Meters	Repairs & Maintenance	Expenditure	Yes	Yes
	Upgrading Out of Seq PP Meters	Repairs & Maintenance	Expenditure	Yes	Yes
	Vehicles	Repairs & Maintenance	Expenditure	Yes	Yes
	Water (Ex Cap)	Repairs & Maintenance	Expenditure	Yes	Yes
	Water: Infrastructure	Repairs & Maintenance	Expenditure	Yes	Yes
	Water : Pump Stations	Repairs & Maintenance	Expenditure	Yes	Yes
	Depreciation	Depreciation	Expenditure	No	No
	Depreciation: External Loan	Depreciation	Expenditure	No	No
	Depreciation: Grant	Depreciation	Expenditure	No	No
	Depreciation: Internal Loan	Depreciation	Expenditure	No	No
	Depreciation: CRR	Depreciation	Expenditure	No	No
	Depreciation: Revenue	Depreciation	Expenditure	No	No
	Depreciation: Special Fund	Depreciation	Expenditure	No	No
	Depreciation: Public Contrib.	Depreciation	Expenditure	No	No
	Interest-Loan Redempt Fund Adv	Other adjustments & transfers	Expenditure	No	No
	Interest - Revolving Fund	Other adjustments & transfers	Expenditure	No	No
	Impaired Assets	Impairment	Expenditure	No	No
	Inventory Adjments	Impairment	Expenditure	No	No
	Year End Shortages	Impairment	Expenditure	No	No
	Redemption-Loan Redemp Fnd Adv	Other adjustments & transfers	Expenditure	No	No
	Redemption - Revolving Fund	Other adjustments & transfers	Expenditure	No	No
	Actuarial Losses	Actuarial Losses	Expenditure	No	No
	Unamortised Discount LTL	Unamortised Discount	Expenditure	Yes	Yes

	<i>Contributions-Loan Redemp Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Interest - Capitalised to Asse</i>	<i>External Interest Paid</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Interest - Loan Redemption Fun</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Interest - Leased Assets</i>	<i>External Interest Paid</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Interest - Annuity Loans</i>	<i>External Interest Paid</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Interest - Stock Issue</i>	<i>External Interest Paid</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Redemption - Annuity Loans</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - National Masibambane</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - National Government</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - EDEN District</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - W C P A</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - MIG: Flood Damage</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - Private</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - Other</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - DBSA</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - Umsobomvu Youth Fund</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - W C P A (Other)</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - W C P A (Flood)</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant - EDEN(Techn Project Man</i>	<i>Operating Grant Expenditure</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Community Facilities Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Disaster Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Karatara / Bos Dorp (phase-in)</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Housing Repair Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Grant Funds</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Leave Pay</i>	<i>Employee Related Costs</i>	<i>Expenditure</i>	<i>Yes*</i>	<i>Yes*</i>
	<i>Loss of Rent Reserve Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>General Repairs Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Valuation Reserve Fund</i>	<i>Other adjustments & transfers</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Bad Debt: Billing Debtors</i>	<i>Bad Debt Provision</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>

	<i>Bad Debt: Long Term Receivable</i>	<i>Bad Debt Provision</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Bad Debt: Other Debtors (Not B</i>	<i>Bad Debt Provision</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>FDR: Public Contributions</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Contribution Rec from Electric</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Contribution in relief of Rate</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Inter Dept Transfers & Recover</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Inter Org Transfers & Recovery</i>	<i>Interdepartmental</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Electricity</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Rates</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Refuse</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Sanitation</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Sewer Annual</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Sewer Monthly</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Water Monthly</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Mun Services - Water Annual</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Transfer Portion to Services</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Housing Selling</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- B&B: 1-4 Rooms</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Building Clause</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- B&B: 1-8 Rooms</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Business: Accommodation</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Business:Commercial</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Business:Light Industr</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Bus: Sport Organisation</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Business:Other</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Business: General</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Government</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- B&B: 9+ Rooms</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Public Service Infrastr</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Rates- Historical Buildings</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Nature Area</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Municipal:Departmental</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Rates- Domestic: Pensioner</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Domestic: Vacant</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Business: Vacant</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates-Priv:Accommodation (B&B)</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Private: Domestic</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Private: Old Age Homes</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates-Private:Sports Organisa</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Private: Churches</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Private: Welfare (PBO)</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Private: Schools</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Institutional</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Rural: Business</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Agricultural: Farms Bon</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates - Rural: Government</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Rural: Schools</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates- Rural: Welfare</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest on arrear Rates</i>	<i>Interest on arrear rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates-Database Cleanup Revenue</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Transfer from Rates</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Administration Fees - Coffins</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Application fees - land usage</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Building Plan Fees</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Burial Fees</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Coffins</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Connection Fee - New Property</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Connection Fee-Reconn Existing</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	Connection Fee-Penalty Reconn	Service Charges	Revenue	No	No
	Change Circuit Breaker	Service Charges	Revenue	No	No
	Connect Fee- Hsg Projects	Service Charges	Revenue	No	No
	Demolition Certificate Fees	Service Charges	Revenue	No	No
	Electricity Avail Charges-Priv	Service Charges	Revenue	No	No
	Electricity Basic Charge-Dept	Internal Charges	Expenditure	No	No
	Electricity Basic Charge-Domes	Service Charges	Revenue	No	No
	Electricity KVA Demand- Bulk	Service Charges	Revenue	No	No
	Electricity Sales- Bulk	Service Charges	Revenue	No	No
	Electricity Sales- Commercial	Service Charges	Revenue	No	No
	Electricity Sales- Department	Internal Charges	Expenditure	No	No
	Electricity Sales - Domestic	Service Charges	Revenue	No	No
	Electricity Sales- Free Units	Service Charges	Revenue	No	No
	Electr Sales-PrePd Meters Dom	Service Charges	Revenue	No	No
	Electricity Sales- Sport Clubs	Service Charges	Revenue	No	No
	Electricity Sales- St/Ight Pri	Service Charges	Revenue	No	No
	Encroachment Fees	Service Charges	Revenue	No	No
	Fire Brigade Fees	Service Charges	Revenue	No	No
	Fire Brigage Avail Charge-Bus	Service Charges	Revenue	No	No
	Fire Brigade Avail Charge-Dom	Service Charges	Revenue	No	No
	Fire Brig Avail Chrg- Inf Area	Service Charges	Revenue	No	No
	Fire Brig Avail Charge-Vacant	Service Charges	Revenue	No	No
	Housing Rental-Loss of Rental	Service Charges	Revenue	No	No
	Housing Rental-Refuse Serv Chg	Service Charges	Revenue	No	No
	Housing Rental-Sewer Serv Chrg	Service Charges	Revenue	No	No
	Housing Rental-Water Serv Chrg	Service Charges	Revenue	No	No
	Housing Rental-White Hs Rep Fg	Service Charges	Revenue	No	No
	Housing Rental-Administration	Service Charges	Revenue	No	No
	Hsg/Rent: Com Fac Fund Contr	Service Charges	Revenue	No	No

	<i>Housing Rental - Insurance</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Rental-Int&Red Contrib</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Rentals</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling - Admin Fees</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Sell-Comm Fac Fnd Cntr</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Sell-HousingMaint Cntr</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling-Insurance Cntr</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling-Int&Red Contr</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling-Loss RentResFd</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling-Ref Serv Chrg</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling-Sewer Serv Chg</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling- Street Lights</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing Selling- Water Serv Chg</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Availability Charges</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Agric: Domestic</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Charges-Business:Accomm</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Bus: Commercial</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Charges-Bus:Commerc Exc</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Bus: Light Industr</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Charges-Governm:General</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Charges-Governm:Schools</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Charges-Municipal:Dept</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Refuse Charges- Church</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Priv: Domestic</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Priv: Hsg Schemes</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Priv: Inform Area</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- State Subsidised</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Ref Charge- Sport Organisation</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Tip Fees</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Ref Charge- School/Education</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Sales Business</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Sales Domestic</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Sales Domestic Bulk</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Sales Municipal</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Sanitaion Charges-Vacuum Tanks</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sanitation Charges-Vac Tnk Dep</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Availability Charges</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Serv Charges-Agric:Dm</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Serv Charges-Bus:Accm</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Serv Charges-Bus:Comm</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Serv Charges-Bus:CommExc</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sew Charge- Bus: Light Industr</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Serv Charges-Gov:Genl</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Serv Charges-Gov Schools</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Serv Charges-Municip Dep</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Sewer Serv Charges-Priv:Church</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Serv Charges-Priv:Domest</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sew Charge- Priv: Hsg Schemes</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sew Charge- Priv: Inform Area</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sew Charge- State Subsidised</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sew Charge- Sport Organisation</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sew Charge- School/Education</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Sales-Unmetered</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Availability Charges</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Sales- Business</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Sales - Departmental</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Water Sales- Domestic</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Wtr Sales-DomBlk(Flats&GroupH)</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	Wtr Sales-PrePd Meters:DomLost	Service Charges	Revenue	No	No
	Water Sales- Vendors	Service Charges	Revenue	No	No
	Water Sales- Schools	Service Charges	Revenue	No	No
	Water Sales- Sport Clubs	Service Charges	Revenue	No	No
	Wtr Serv Charges-Agricult:Dom	Service Charges	Revenue	No	No
	Wtr Serv Charges-Busin Accom	Service Charges	Revenue	No	No
	Wtr Charge- Bus: Commercial	Service Charges	Revenue	No	No
	Wtr Serv Charges-Bus:Comm Exce	Service Charges	Revenue	No	No
	Wtr Charge- Bus: Light Industr	Service Charges	Revenue	No	No
	Wtr Serv Charges-Governm:Genl	Service Charges	Revenue	No	No
	Water Serv Charges-Gov:Schools	Service Charges	Revenue	No	No
	Water Serv Charges-Municip:Dep	Internal Charges	Expenditure	No	No
	Water Serv Charges-Priv:Church	Service Charges	Revenue	No	No
	Wtr Charge- Priv: Domestic	Service Charges	Revenue	No	No
	Wtr Charge- Priv: Hsg Schemes	Service Charges	Revenue	No	No
	Wtr Charge- Priv: Inform Area	Service Charges	Revenue	No	No
	Wtr Charge- State Subsidised	Service Charges	Revenue	No	No
	Wtr Charge- Sport Organisation	Service Charges	Revenue	No	No
	Wtr Charge- School/Educational	Service Charges	Revenue	No	No
	Water Sales- Raw Water	Service Charges	Revenue	No	No
	Water Sales- Free Units	Service Charges	Revenue	No	No
	PD&C General (Augmentations)	Public Donations & Contributions	Revenue	No	No
	PD&C Eastford/Salt River	Public Donations & Contributions	Revenue	No	No
	PD&C Specific	Public Donations & Contributions	Revenue	No	No
	Hire of Halls	Rental of Facilities	Revenue	No	No
	Hire of Bulk Containers	Rental of Facilities	Revenue	No	No
	Hire of Equipment	Rental of Facilities	Revenue	No	No
	Hire of Pavement Space	Rental of Facilities	Revenue	No	No
	Rental Buildings	Rental of Facilities	Revenue	No	No

	<i>Rental Land</i>	<i>Rental of Facilities</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rentals</i>	<i>Rental of Facilities</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rental Ornamental Plants</i>	<i>Rental of Facilities</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rental Caravan Park</i>	<i>Rental of Facilities</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rentals Road Reserve</i>	<i>Rental of Facilities</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest on Asset Sales</i>	<i>Interest Earned: External</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest:Ext Invest:Short Term</i>	<i>Interest Earned: External</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest:Ext Invest: Long Term</i>	<i>Interest Earned: External</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest: Collateral:Long Term</i>	<i>Interest Earned: External</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest: Cash Bank Account</i>	<i>Interest Earned: External</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest: Current Bank Account</i>	<i>Interest Earned: External</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest on Arrear Debtors</i>	<i>Interest Earned: Internal</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Interest on Staff Loans</i>	<i>Interest Earned: Internal</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Building Fines</i>	<i>Fines</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Overdue Books Fine</i>	<i>Fines</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Parking Fines</i>	<i>Fines</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Speeding Fines</i>	<i>Fines</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Traffic Fines</i>	<i>Fines</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>B&B Registration Fee</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Business Licences</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Drivers Licence Cards</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Application of Drivers Licence</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Temporary Driving Licence</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Tariff loss (other income)</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Traffic Register Numbers</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Issuing of Learner Licence</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Application of Learner Licence</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Professional Driving Permit</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Duplicates:Registrations</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Search fees</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Registration: Operators Certif</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Roadworthy Certificates</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Special permits</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Special Registration Numbers</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Temporary permits</i>	<i>Licences & Permits</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Vehicle Registration Certific</i>	<i>Agency Services</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Admin.Fees: Serv to Public/Othe</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Capital Grant EDEN</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Capital Grant MIG</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Capital Grant NER</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Capital Grant WCPA</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Capital Grant FMG</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Capital Grant OTHER</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Contrib: Knysna Municipality</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy- District: Salaries</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT on Unspent Op Grts</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT on Unspent Cap Grts</i>	<i>Grants & Subsidies - Capital</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy- Province: Salaries</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy- Province: Masterplan</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy - Province:Main Roads</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:Health Compr Srv</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:Health Environm</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:Health Fam Plan</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:Health Prim Care</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:IGT Equitable Sh</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subs-State:Hsng Letting/SellSc</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:HIth PEW FeedSch</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy-State:Clean-up Operat</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Subsidy- State: IGG FBE</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Subsidy- State: IGG FBS</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - WCPA (Flood)</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - National Govern</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - EDEN District</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - W C P A</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - MIG: Flood</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - WCPA (Other)</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - Umsobomvu YFund</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - Other</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Collection Fees Recovered</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Donations Received</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Donations Received Mayor's Cup</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Discount on Purchases</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Duplicate Copy Accident Report</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - National Masiba</i>	<i>Grants & Subsidies - Operating</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Exempted Parking</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Parking Fees</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Escort Charges</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Insurance Claims</i>	<i>Third Party Payments</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Actuarial Gains</i>	<i>Actuarial Gains</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Information Search Fees</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Confirmation of Driver Licence</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Irrigation Recovery (Pezula)</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Bad Debt Provision Reversal</i>	<i>Bad Debt Provision Reversal</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Irregular Recovered</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Valuation Certificates</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Valuation Reasons - Appeal Fee</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Contract Penalties</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Vat on Operating Grant-NatGov</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT on Op Grant-National MIG</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT on Op Grant-WCPA</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT on Op Grant-WCPA (Other)</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT on Op Grant-Other grantors</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT Grants rec'd-operating: MIG</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Lost Books Recovered</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT Grant rec'd-operating: RBIG</i>	<i>Grants & Subsidies - VAT (Op)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Mayoral Donations Received</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Newspaper Costs Refunded</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Penalty Disconnection Fees</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Pauper Coffin Sales</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Pound Fees</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Pre Paid Commitment Fee</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Pre Paid Relocation Fee</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Revaluation Fee (Rates)</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT Grant rec'd-operating: INEP</i>	<i>Grants & Subsidies - VAT (Cap)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Road Repair & Maintenance</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT Grant rec'd-operating: NDPG</i>	<i>Grants & Subsidies - VAT (Cap)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT Grant rec'd-operating: MDMG</i>	<i>Grants & Subsidies - VAT (Cap)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>SITA Learnership Income</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sale of Wheelie Bins</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sale of Prints</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sale of Refuse Bags</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Skills Development Levy Refund</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>VAT Grant rec'd-Op: IHHS(WCPA)</i>	<i>Grants & Subsidies - VAT (Cap)</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Grant Income - EDEN(Tech Proje</i>	<i>Grants & Subsidies</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Advertising on Refusebins</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sundries</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Sundry Services Recovered</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Surplus Cash</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Swimming Pool Backwash</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Housing / Letting Scheme (HDF)</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Health Refund</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Tampering with Meter</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Transport: Water Sales</i>	<i>Other Income</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Unamortised Disc Allowed</i>	<i>Unamortised Discount</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Unclaimed Deposits</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Unamortised Discount LTL</i>	<i>Unamortised Discount</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Unclaimed Wages</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Unclaimed Credits</i>	<i>Other non-exchange revenue</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sale of redundant stock</i>	<i>Profit on sale of assets</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Profit on sale of assets</i>	<i>Profit on sale of assets</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Inventory Adjustments</i>	<i>Stock Adjustments</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Year End Surpluses</i>	<i>Stock Adjustments</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Pensioners</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Government</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Domestic 20%</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Municipal</i>	<i>Internal Charges</i>	<i>Expenditure</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Non-Urban Domest</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Rural Government</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Exemptions</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Church</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Indigent</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: School Private</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Rebate: 100% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Rebate: 50% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Refuse Rebate: 25% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>

	<i>Refuse Rebate: Other</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: School Governmen</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Sport Facilities</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Nature Area</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Electricity Rebate: Bulk Devel</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Electricity Rebate: Free Units</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Rebate: Historical</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Rebate: 100% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Rebate: 50% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewerage Rebate: 25% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Sewer Rebate: Other</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Rebate: 100% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Rebate: 50% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Rebate: 25% Indigent</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Rebate: Other</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Water Rebate: Free Units</i>	<i>Service Charges</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>NOT IN USE! Interest on Arrear</i>	<i>Interest on arrear rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Adj:Yrs Prior Prev Year</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>Rates Adj:Yrs Prior Prev Year</i>	<i>Property Rates</i>	<i>Revenue</i>	<i>No</i>	<i>No</i>
	<i>With approval from CFO</i>			<i>Yes*</i>	<i>Yes*</i>



ANNEXURE C

**REPORT: UNFORESEEABLE AND UNAVOIDABLE
EXPENDITURE**

(<Reference number>)

<day month year>

REPORT TO: EXECUTIVE MAYOR

REPORT FROM DIRECTOR:<POSITION OF PERSON COMPILING THE REPORT>

PURPOSE OF THE REPORT

The purpose of this report is to table to the Executive Mayor a request to authorize unforeseen and unavoidable expenditure.

BACKGROUND / DISCUSSION

<Provide background of why the expenditure is needed and the consequences if the expenditure is not going to be authorized>

According to the best of my knowledge the criteria set in the table below are considered in the context of the expenditure for which authorization is required.

Criteria	Tick box	
Was this expenditure foreseen at the time the annual budget of the municipality was passed?	Yes	No
If delayed, would this expenditure result in or cause:		
➤ Significant financial loss for the municipality?	Yes	No
➤ Disruption or suspension, or a serious threat to the continuation, of a basic municipal service?	Yes	No
➤ Loss of life or serious injury or significant damage to property?	Yes	No
➤ Obstruct the municipality from instituting or defending legal proceedings on an urgent basis?	Yes	No

Was this expenditure considered by the council, but not approved in the annual budget or an adjustments budget?	Yes	No
Is this expenditure required for:		
➤ Price increases of goods or services during the financial year?	Yes	No
➤ New municipal services or functions during the financial year?	Yes	No
➤ The extension of existing municipal services or functions during the financial year?	Yes	No
➤ The appointment of personnel during the financial year?	Yes	No
➤ The allocation of discretionary appropriations to any vote during the financial year?	Yes	No
Would this expenditure result in or cause contravention any existing council policy?	Yes	No
Is the intended of this expenditure to ratify irregular or fruitless and wasteful expenditure?	Yes	No

FINANCIAL IMPLICATIONS / FINANSIËLE IMPLIKASIES

<Provide the direct as well as the indirect financial implications of the authorization of the expenditure>

RELEVANT LEGISLATION / RELEVANTE WETGEWING

In terms of section 29 of the MFMA the Executive Mayor may:

“in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

(2) Any such expenditure—

- (a) must be in accordance with any framework that may be prescribed;
- (b) may not exceed a prescribed percentage of the approved annual budget;
- (c) must be reported by the mayor to the municipal council at its next meeting; and
- (d) must be appropriated in an adjustments budget.”

The framework is prescribed in Sect 71 of the Municipal Budget and Reporting Regulations promulgated in government gazette no.32141 dated 17 April 2009

“Authorisation of unforeseen and unavoidable expenditure

71. (1) *The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if -*

- (a) the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and*
- (b) the delay that will be caused pending approval of an adjustments budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure may -*
 - (i) result in significant financial loss for the municipality;*
 - (ii) cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;*
 - (iii) lead to loss of life or serious injury or significant damage to property; or*
 - (iv) obstruct the municipality from instituting or defending legal proceedings on an urgent basis.*

(2) The mayor of a municipality may not authorise expenditure in terms of section 29 of the Act if the expenditure –

- (a) was considered by the council, but not approved in the annual budget or an adjustments budget;*
- (b) is required for-*
 - (i) price increases of goods or services during the financial year;*
 - (ii) new municipal services or functions during the financial year;*
 - (iii) the extension of existing municipal services or functions during the financial year;*
 - (iv) the appointment of personnel during the financial year; or*
 - (v) allocating discretionary appropriations to any vote during the financial year; or*
- (c) would contravene any existing council policy; or*
- (d) is intended to ratify irregular or fruitless and wasteful expenditure.”*

COMMENTS: MUNICIPAL MANAGER

COMMENTS: FINANCIAL SERVICES

COMMENTS: LEGAL SERVICES

RECOMMENDATION

DECISION TAKEN BY EXECUTIVE MAYOR BASED ON RECOMMENDATION

**Approved / Not approved*

Date:

Signature:

**Delete if not applicable*

KNYSNA MUNICIPALITY



CREDIT CONTROL POLICY AND PROCEDURES

Effective from: 01 July 2016

INDEX

	<u>PAGE</u>
1. DEFINITIONS	3
2. CREDIT CONTROL PROCEDURES	4
3. FINAL ACCOUNTS	9
4. LEGAL ACTION PROCEDURES	10
5. COMMITTEE FOR DEBTORS SUPPORT	11
6. ANNUAL RATES, REFUSE AND SEWERAGE CHARGES	12
7. MONTHLY RATES, REFUSE AND SEWERAGE ACCOUNTS	13
8. MONTHLY ELECTRICITY AND WATER CHARGES (NON PREPAYMENT)	14
9. SUNDRY DEBTOR ACCOUNT	15
10. DISHONoured DEBTOR CHEQUES (R/D CHEQUES)	15
11. UPFRONT CREDIT CONTROL	15
12. ALLOCATION OF PAYMENT RECEIVED	16

CREDIT CONTROL POLICY AND PROCEDURES

1. DEFINITIONS:

For the purpose of this policy, the wording or any expression used has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” The Local Government Municipal Systems Act, 2000 (Act No 32 of 2000) as amended

“Agreement” an arrangement to pay off an arrear amount with interest over an agreed period of time.

“Business” any trade, manufacturing, service delivery or commercial activity as the primary objective

“consumption” the usage of water and electricity through Council’s metered or prepaid Systems

“collection cost” all cost associated with credit control and debt collection, including interest, penalties service disconnection cost and legal cost.

“Council” the municipal council of the Municipality of Knysna

“customer/consumer” any occupier and/or owner of any property to which the municipality has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property.

“defaulter” a person who owes money to the municipality after the due date has expired.

“deposit” a sum of money or bank guarantee paid in lieu of a service to be rendered.

“dishonoured cheque” refusal by a bank to pay an amount ordered by cheque to Knysna Municipality for whatever reason

“household income” the income accruing to all members of the household permanently residing at that address.

“indigent household/customer” means households that are registered at the municipality as such and meet the criteria i.t.o the credit control and debt collection policy and occupying a property within the jurisdiction of the municipality.

“interest” a charge levied and calculated at the prime interest rate plus a percentage on all arrear amounts owed to Council

“municipal account” an account rendered specifying charges for services provided by the municipality

“municipal services” those services provided by the municipality, such as the supply of water, electricity, refuse removal, sewerage treatment , and for which service charges are levied.

“non-indigent household” means households that are not registered and who does not meet the criteria to qualify for indigent support in terms of this policy

“prepayment service/system” means a system whereby the consumers of electricity and water makes a payment in advance for the use of the service.

“property” any portion of land of which the boundaries are determined within the jurisdiction of the municipality

2. **CREDIT CONTROL PROCEDURES**

The credit control policy requires that all municipal accounts be paid on the due date as indicated on the account and that non-payment of accounts will result in credit control action being taken to ensure full compliance.

2.1 **PREPAYMENT ELECTRICITY SYSTEM**

2.1.1 Councils preferred metering system for domestic and certain business consumers is the prepayment metering system.

2.1.2 Arrear debt of consumers with prepayment meters will be dealt with in terms of credit control facilities available on the prepayment system.

2.2. **ARRANGEMENTS – CREDIT CONTROL**

2.2.1 **Arrangements**

A resident who encounters problems in paying the municipal account may enter into an arrangement to pay the outstanding account, plus interest, over an extended period of time.

2.2.2 **Responsibilities of residents in regard to arrangements**

The resident must:

2.2.2.1 Enter into an agreement with the Municipality and

2.2.2.2 Sign an acknowledgement of debt.

2.2.2.3 Acknowledge that interest will be charged at the prescribed rate.

- 2.2.2.4 Acknowledge that if the arrangements being negotiated are later defaulted on, then restrictions on water supply and/or the disconnection of electricity and/or the prevention of purchasing electricity or water on the Prepayment System will follow immediately, to be followed if necessary by legal proceedings.
- 2.2.2.5 Acknowledge liability for all legal costs which may be incurred.

2.2.3 **Broken agreement**

In the event that an agreement is broken, all arrear agreement instalments, plus the current monthly account, must be paid before a new agreement may be entered into.

2.2.4 **Customers will be categorised into income categories which are subject to the amendment of Council on an annual basis:**

- 2.2.4.1 Indigent (Gross household income of less than R4600 per month).
- 2.2.4.2 Gross household income exceeds R4600 per month.
- 2.2.4.3 Non domestic (excludes Government Departments).
- 2.2.4.4 Government Departments.

2.2.5 **Arrangements by indigent customers**

- 2.2.5.1 Indigent customers will have their credit electricity meters converted to a 20 amp circuit breaker at Council expense.
- 2.2.5.2 Any arrangement for the payment of debt will be as determined for the payment of arrears on the prepayment system.
- 2.2.5.3 Any application for further assistance must be made in terms of Council Policy.

2.2.6 **Arrangements by non indigent customers**

2.2.6.1 **An arrangement by non indigent customers must include the following:**

- Payment of the current monthly account.
- Payment of arrears for the current financial year over a maximum period of 12 months within the current financial year.
- Payment of arrears, being the amount outstanding for the previous financial year, as follows:

Income group less than R5 000 – over a maximum period of 36 months

Income group R5 000 and more – over a maximum period of 24 months

- All arrangements will be converted from annual rates accounts to monthly payments excluding municipal officials where the provisions of section 10 of schedule 2 of the Municipal Systems Act will apply with regards to arrears for a period longer than 3 months, whereby the Municipality may deduct the arrears from a staff member's salary.

2.2.6.2 Domestic customers with arrangements or upon a 3 times default must have their credit electricity meters converted to prepayment electricity meters on request/at the cost of Council.

2.2.6.3 Reduced interest charges or a discount on arrears may at the discretion of the Director Financial Services be considered.

2.2.6.4 No further interest will be levied for entering into a fix term agreement for all legal suite accounts and attorney handovers. Interest will however be added for non-compliance to the terms and conditions of the fix term agreement. The agreement will on a two times default be cancelled and a summons will be issued for the total amount plus interest at **prime plus 2%** outstanding and no further agreements will be entered in.

2.2.6.5 Council employees who are in arrears for longer than three months will have their thirteenth cheque offset against the outstanding arrear amount in the first instance. A reminder of the arrears and if necessary a demand for payment will be issued and failure to comply with the demand

for payment will result in the arrears to be offset against the thirteenth cheque of an employee.

2.2.6.6 In terms of section 12 A of Schedule 1 of the Municipal Systems Act Councillors should not be in arrears with their municipal account for a period longer than 3 months. Councillors who are in arrears will be informed and required to put an arrangement in place whilst keeping all current payments up to date. Failure to do so may result in the Municipality deducting the arrears from a Councillor's allowance. Any agreement in this regard may not exceed the term of office of a Councillor.

2.2.7 Arrangements by Businesses

2.2.7.1 The arrangement for businesses are:

- Current account to be fully maintained
- Balance of the arrears to be paid over a period of twelve (12) months.
- Customers with arrangements may have their credit electricity meters converted to prepayment meters on request/at the cost of Council.
- A full and final settlement may be negotiated with businesses provided that a least 90% of the debt is paid on condition that a prepaid electricity meter is installed at their own cost where practically possible.

2.2.8 Debt Arrangement – Prepayment system

2.2.8.1 The prepayment electricity system implemented by Council has a debt management facility. There are various blocking types, which can be utilised to collect arrear debt as follows:

2.2.8.1.1 Total Block

The consumer is blocked from buying electricity due to arrear debt and will be unblocked only when: -

- The arrear debt is paid in full, or
- An agreed arrangement has been made to pay off the arrear debt with an initial payment of R250,00 in order to unblock a customer.

2.2.8.1.2 **Percentage Blocking**

Each time the consumer makes a purchase a percentage of the amount tendered is allocated to arrear debt as follows:

- (a) Non-payment of services after 30 days – 20%
Of the electricity purchase will be allocated.
- (b) Non-payment of services after 60 days – 30%
of the electricity purchase will be allocated.
- (c) Non-payment of services after 90 days – 40%
of the electricity purchase will be allocated
- (d) If after a further 180 days, there are still
outstanding service amounts, the remaining
services debt will be handed over for collection
and the consumer blacklisted.
- (e) Indigent, social welfare recipients and
pensioners will be excluded from the
percentage block system

2.2.8.2 **Indigent Customers**

Indigent consumers will be required to pay their current monthly account before electricity can be purchased. The monthly account is the amount after the indigent subsidy has been deducted

2.2.8.3 **Non-Indigent Customers**

An arrangement must be made with the customer to pay a minimum monthly instalment, which will include monthly charges plus the repayment of arrears within a maximum period of twelve (12) months.

3. **FINAL ACCOUNTS**

3.1 **Electricity and Water accounts**

- 3.1.1 When electricity and water consumers move from one premise to another an application for disconnection of services must be completed by the consumer, which must indicate the forwarding address of the consumer and the date of the cancellation of the service.
- 3.1.2 On the indicated date of cancellation a final reading will be taken of the electricity and water consumption and the consumer will be billed for the consumption until the final reading.
- 3.1.3 The consumer's deposit, which is held by Council, will be appropriated against the account.
- 3.1.4 If after the appropriation of the account, a credit balance remains on the account, the credit balance will be refunded to the consumer.
- 3.1.5 If after the appropriation of the account a debit balance remains on the account the balance on the account must be paid by the consumer.
- 3.1.6 If a debit balance remains unpaid by a consumer that has left town, the case will be handed over within 60 days for legal proceedings to be instituted.
- 3.1.7 If a debit balance remains unpaid of a consumer that moved from one premises to another, it will be transferred to the new current account of that consumer.

3.2 **Absconded Debtors**

- 3.2.1 On becoming aware that the person who applied for the service has absconded a final reading of services will be taken, a final account produced and the consumer deposit appropriated.
- 3.2.2 Any credit balance on an account will be credited against any arrear balance on an account after which it will be handed over for legal proceedings to be instituted.
- 3.2.3 The service to the premises will be disconnected in such a way as to prevent service consumption without the required prior application for connection of services.
- 3.2.4 Any connection of services without prior application for these services will lead to immediate disconnection and a R2000 fine imposed.

- 3.2.5 In terms of Section 118 of the Municipal Systems Act the owner of a property is ultimately responsible for municipal debt on a property.

3.3 **Rates Clearance Certificates**

- 3.3.1 When an owner of a property sells the property a rates clearance must be obtained from Council by the conveyancing attorney in terms of section 118 of the Municipal Systems Act, No. 32 of 2000.

- 3.3.2 Council must certify that all municipal charges have been fully paid.

4. **LEGAL ACTION PROCEDURES**

4.1 **Procedure**

- 4.1.1 Legal action will commence by way of letter of demand sent by ordinary mail or hand delivery to the address of the debtor.

- 4.1.2 All cost associated with credit control and debt collection including interest, penalties, service discontinuation costs, phone call charges, letter charges, search charges and legal costs are for the account of the debtor and should reflect at least the cost of the particular action.

- 4.1.3 If there is no response to the letter of demand a summons must be delivered to the Clerk of the Court within 10 (ten) days of expiry of the demand period.

- 4.1.4 If there is no response to the summons then an application must be made for default judgment immediately the time allowed for entering an appearance to defend has expired.

- 4.1.4.1 If any matters are defended then these must be reported to Council's attorneys.

- 4.1.5 Once default judgement has been granted:

- 4.1.5.1 Should the capital be less than R3 000 (Three Thousand Rand), action shall proceed by means of a writ against movable property.

- 4.1.5.2 In the event that the capital is R3000 or more, then a writ may also be served against immovable property.

- 4.1.6 Council shall endeavour wherever possible to persuade the debtor to sign a consent to judgment and a consent to an emoluments attachment order which will satisfy the judgment debt within 12 (twelve) months.
- 4.1.7 Before drafting the notice of sale in execution for the sale of immovable property, the file summary must be submitted to the Mayoral Committee to obtain authority.
- 4.1.8 Before each step in the process is made, Council shall continuously verify the municipal financial system, to confirm details of the debtor/consumer's status, namely indigency, arrangements made etc.
- 4.1.9 Files will only be closed upon the written instruction of the Municipality.
- 4.1.10 If the debtor is not traceable, Tracing Agents will be appointed, alternatively Council will be advised to write off the debt and the file closed.
- 4.1.11 Council shall be informed at all times of irrecoverable debt and the reason thereof together with a recommendation for a write off.
- 4.1.12 The Municipal Manager and The Director Financial Services or his/her delegate may during the legal action stage consider a request for a waiver of interest or a lesser amount in full and final settlement of the arrears. The amounts so considered may not exceed the limit as prescribe under Council's delegated authority.

5. COMMITTEE FOR DEBTORS SUPPORT

5.1 Purpose of the Committee

- 5.1.1 The purpose of the Committee is to allow for an input by Councillors in legal matters that have reached the sale-in-execution stage, due to non-payment of rates and services charges.
- 5.1.2 All cases that reached the sale-in-execution stage in the legal process will be referred to the Committee.
- 5.1.3 The reason for this is to encourage debtors to pay their accounts through the assistance of Ward Councillor visits, which may result in debtors not losing their houses in a sale-in-execution.

5.2 Principles involved

- 5.2.1 The Credit Control Policy is the basis of the operation of this Committee and in terms of the existing legislation must be enforced.
- 5.2.2 The Committee will comprise of the Municipal Manager (Chairperson), Finance Manager, or his designated official, and all Ward Councillors.

- 5.2.3 The Committee will have no authority to prevent Credit Control Action. It is a committee that will monitor the progress of Ward Councillors in encouraging debtors to pay their accounts. If after 2 (two) months, no progress has been made then normal credit control action will resume.
- 5.2.4 The Committee will have no decision making authority and may only make recommendations to Council.
- 5.2.5 The Committee will meet on an as and when basis to discuss issues.
- 6.2.6 In terms of legal action, the Credit Control Section will proceed with the attachment and sale of movables, failing which the immovable property will be attached and sold in terms of relevant legislation

6. **ANNUAL RATES, REFUSE AND SEWERAGE CHARGES**

- 6.1 Annual rates, refuse and sewerage charges become due and payable on 1 July of every year and are extended to 30 September for debtors who have not made applications to pay rates in instalments.
- 6.2 If the annual rates, refuse and sewerage charges remain unpaid after 30 September a letter of final demand per registered mail and/or hand delivered shall be served on the debtor liable to pay the amounts due. The debtor will be given 10 business days after receipt of the demand to pay the amount payable.
- 6.3 Debtors who fail to respond to the final demand will be handed over for legal action to collect the arrears.
- 6.4 Interest on arrears will be charged on annual charges, which remain unpaid after 30 September and will be charged until the account is settled in full.
- 6.5 Ratepayers/residents may make use of the facility available to pay annually charged property rates, refuse, sewerage and service charges in twelve (12) monthly instalments.
- 6.6 In order to qualify for the payment of annual charges in twelve monthly instalments, ratepayers/residents must complete an application form to pay assessment rates by instalments. This form will be available at all municipal finance offices.
 - 6.6.1 The above form must be completed and handed in before 31 May in the preceding financial year in which the ratepayer/resident wishes to commence with the payment annual rates and service charges in twelve monthly instalments.
 - 6.6.2 The Ratepayer/Resident will agree: -

- To the monthly instalment be paid on or before the due date as indicated on the account.
 - That interest on arrears will be charged on unpaid instalments after the due date as indicated on the account.
- 6.6.3 All rates and service charges for the previous financial years must be paid before the facility can be implemented.
- 6.6.4 The facility will be applicable until withdrawn in writing by the ratepayer, resident or Council.
- 6.7 If more than three instalments, whether consecutive or not, are unpaid or paid in arrears during any financial year, a notice in writing shall be served on the debtor to withdraw the right to pay annual rates and service charges by instalment and after no response from the debtor within 14 days the monthly instalment facility must be cancelled and the total annual charge becomes due and payable, after which total amount due must be handed over for legal action to be instituted to collect the arrears.
- 6.8 Arrear rates if owed by the owner may in terms of Section 28 and 29 of the Municipal Property Rates Act be recovered in whole or in part from a tenant, occupier, or agent of the owner of the property
- 6.8.1 Upon servicing of a written notice on the tenant or occupier or agent of the property.
- 6.8.2 The recoverable amount is limited to the amount of the rent or other money due and payable by the tenant or occupier or agent to the owner.

7. MONTHLY RATES, REFUSE, SEWERAGE AND SERVICES ACCOUNTS

- 7.1 Monthly charges on accounts are liable on the due date as indicated on the account.
- 7.2 Interest on arrears will be charged on accounts unpaid after the due date.
- 7.3 Consumers with electricity meters may have their electricity supply disconnected after the due date for non-payment of any of the above monthly charges and may only be reconnected after the account has been settled in full or until an acknowledgement of debt has been signed.
- 7.4 Consumers who again fail on their arrangement to repay the debt will have their electricity supply again disconnected and will not be reconnected until all arrear arrangement instalments and the current account is paid.

- 7.5 Consumers in arrears with prepayment electricity meters will be dealt with in terms of the debt collection facilities available on the prepayment system to a level of 20% of purchases.
- 7.6 If the above actions (7.1 to 7.4) fail to collect the arrears within 90 days the accounts will be handed over for legal action.

8. **MONTHLY ELECTRICITY AND WATER CHARGES (NON PREPAYMENT)**

- 8.1 The due date for the payment of accounts for electricity and water charges for any month will be the date as stated on the accounts.
- 8.2 A notice will appear on the monthly statement to the effect that “The supply of services may be discontinued without further notice if any amount is unpaid after the due date and the deposit may be simultaneously reviewed”.
- 8.3 If the account is not paid by the due date as stated on the account the electricity service to the consumer will be disconnected until the debt has been settled in full or until an acknowledgement of debt has been signed and a payment arrangement as approved by Council agreed to.
- 8.4 Electricity supply to consumers may be disconnected for other municipal charges i.e. rates, refuse, sewerage, water and sundry debtors. Section 102 of the Municipal Systems Act, Act 32 of 2000 determines that the accounts of the various rate and service charges may be consolidated and debt collection measures applied when a consumer defaults.
- 8.5 The disconnection of an electricity service will be undertaken in two phases i.e. first line and second line disconnections and will apply as follows:
 - 8.5.1 When a consumer defaults on the payment of the amounts due, first line disconnection will apply. First line disconnection means that the pole fuse or the circuit breaker and the bridge piece will be removed.
 - 8.5.2 Any consumer who unlawfully reconnects the electricity supply after being disconnected for an overdue account will be disconnected as a second line. The second line disconnection means that the electricity service to the property will be removed.
 - 8.5.3 On first line disconnection, a disconnection and reconnection fee is payable and will be debited to the debtors account.
 - 8.5.4 On second line disconnections, penalties and reconnection fees are payable and the reconnection of electricity will only be done when the penalty, reconnection fee and total amount due is paid in full.

- 8.5.5 When a consumer consistently fails to pay his or her account by the due date the meter will be removed and replaced with a pre-payment meter of which arrears will be recovered as an auxiliary amount via the pre-payment system.

9. **SUNDRY DEBTOR ACCOUNTS**

- 9.1 All debts that fall in this category are payable on presentation of an account (e.g. damage to municipal property, such as electricity poles, traffic lights, etc).
- 9.2 The relevant department that initiates this type of transaction must forward all the relevant documentation to the Manager: Income.
- 9.3 All debt that has not been settled within one month from the date of invoice must be referred for collection.
- 9.4 Depending on the circumstances of each case and the amount involved, arrangements can be made to redeem the debt over a period to a maximum of 6 months.
- 9.5 Debt of 60 days and over will be handed over for legal action.

10. **DISHONoured DEBTOR CHEQUES (R/D CHEQUES)**

- 10.1 On receipt of a dishonoured cheque the payment will be reversed on the debtors account.
- 10.2 Services to the debtor's premises – will be disconnected after notification of the cheque being dishonoured- and only reconnected when the debtor's account has been settled.
- 10.3 No arrangement to pay arrears will be entertained.
- 10.4 The debtor will be informed that only cash will be accepted in future.

11. **UPFRONT CREDIT CONTROL**

- 11.1 No Building plans will be approved if Council is owed money.
- 11.2 No electricity upgrades will be approved if Council is owed money.
- 11.3 The application for a service connection from a tenant will not be approved if debt is still outstanding from previously occupied properties
- 11.4 No refund of any deposit will be approved if Council is owed money.

12. **ALLOCATION OF PAYMENT RECEIVED**

12.1 Settlement of an account clears all charges, including interest on arrears and tamper fees where applicable.

12.2 Part payment of an account will be allocated at the discretion of Council.

12.3 The priority allocation of part payments are as follows:

- Interest on arrears
- Assessment rates
- Refuse and sewerage charges
- Miscellaneous charges
- Rental charges
- Electricity and Water

12.4 The selected payment of certain charges is not allowed.

12.5 Council may consolidate any separate accounts of persons liable for payments and credit a payment against any account of that person and implement debt collection and credit control measures to any arrears on any of the accounts

NOTE: The priority allocation of part payments shall be agreed by Council on an annual basis by means of approval of this policy.

KNYSNA MUNICIPALITY



KNYSNA
Municipality Munisipaliteit uMasipala

INDIGENT SUPPORT AND SOCIAL REBATE **POLICY**

Effective from 01 July 2016

Indigent Support and Social Rebate Policy

INDEX

	<u>PAGE</u>
1. DEFINITIONS	3
2. INTRODUCTION	4
3. THE OBJECTIVES	4
4. RESPONSIBILITY/ACCOUNTABILITY	5
5. INDIGENT SUPPORT AND SOCIAL REBATE POLICY PRINCIPLES	5
6. CRITERIA FOR QUALIFICATIONS FOR INDIGENT SUPPORT AND SOCIAL REBATES	7
7. EXTENT OF INDIGENT SUPPORT AND SOCIAL REBATES	8
8. APPLICATION FOR INDIGENT SUPPORT	8
9. APPLICATION FOR SOCIAL SUPPORT	8
10. APPLICATION AND SUPPORTING DOCUMENTATION	9
11. ON-SITE AUDIT INSPECTION	9
12. BASIC SERVICES OFFERED TO THE INDIGENT AND RECIPIENTS OF A STATE PENSION OR STATE DISABILITY GRANT	10
13. DISCRETIONARY POWERS	10

1. **DEFINITIONS**

“Act” The Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) as amended from time to time.

“Council” the municipal council of Knysna Municipality.

“Financial year” a 12 month period from 1 July to 30 June of the following year.

“Household” all the occupants of a house or property living as a family.

“Household income” the income accruing to all members of the household permanently residing at that address. It includes income of spouses.

“Indigent person” a person whose household income does not exceed the minimum household income as predetermined by Council.

“Municipal services” those services provided by the municipality, such as the supply of water, electricity, refuse removal, sewerage treatment for which service charges are levied.

“Occupier” any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.

“Property” any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality.

Indigent Support and Social Rebate Policy

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and also meets the requirements of S152 of the Constitution.

2. INTRODUCTION

In terms of Section 74(i) of the Act, the Council should at least take into consideration the extent of subsidisation of tariffs for poor households. Arising from the above, Council needs to approve an Indigent Support Policy. This policy must provide procedures and guidelines for the subsidisation of rates and basic services and tariff charges to its indigent households.

The Council accepts responsibility for the rendering of services in terms of Schedules 4 and 5 of the Constitution as well as other services which may be delegated by National and Provincial Government. The Council will endeavour to render a basic level of services necessary to ensure an acceptable and reasonable quality of life and which takes into account health and environmental considerations.

3. THE OBJECTIVES OF THIS POLICY

The objectives of the Indigent Support and Social Rebate Policy is to ensure the following:

- 2.1 The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council; and
- 2.2 To provide procedures and guidelines for the subsidisation of rates and basic service charges to its indigent households, using the Council's budgetary provisions received from National Government, according to prescribed policy guidelines.
- 2.3 Council also recognises that many of the residents can simply not afford the cost of full provision and for this reason Council will endeavour to ensure affordability through:
 - 2.3.1 Setting rates and tariffs in terms of the Council's Rates and Tariff Policy, which will balance the economic viability of continued service delivery; and
 - 2.3.2 Determining appropriate service levels.

4. **RESPONSIBILITY/ACCOUNTABILITY**

Council has the overall responsibility for compiling, approving and implementing the Indigent Support and Social Rebate Policy.

5. **INDIGENT SUPPORT AND SOCIAL REBATE POLICY PRINCIPLES**

The following should be the guiding principles in implementing the Indigent Support Policy:

- 5.1 The Indigent Support and Social Rebate Policy is in accordance with Local Government Municipal Systems Act, 2000, Local Authorities Ordinance No. 25 of 1974 and all other amending or related legislation.
- 5.2 Relief will be provided by Council to registered residential owners and/or consumers of services.
- 5.3 The Council must, wherever possible, ensure that any relief is constitutional, practical, fair, equitable and justifiable to avoid alienating any group of households. There should be no differentiation whatsoever of any residential consumers. It should only differentiate in the level of service rendered.
- 5.4 The subsidy for minimum service level should not result in the creation of a massive bureaucratic administration that would not be cost effective to implement e.g. when more than 25% of the population/consumers require/qualify for subsidisation.
- 5.5 Differentiation must be made between those households who cannot afford to pay for basic services and those who simply do not want to pay for these services.
- 5.6 The payment for services should be affordable to all consumers.
- 5.7 This Policy should be for a financial year, and reviewed annually.
- 5.8 Council may review and amend the qualification for indigent support and social rebates, annually during the budget cycle.
- 5.9 The collective or joint gross income of each household will be taken into account. The household income must be correctly reflected on the application form requesting indigent support or a social rebate, which may be withdrawn if the income is found to have been incorrectly submitted.
- 5.10 The residents must formally apply on the prescribed application forms for the relief and will qualify for the indigent support or social rebate according to these

prescribed criteria/principles laid down by Council. After the application form has been completed, an effective and efficient evaluation system will be used in order to obtain the outcome within a reasonable time determined by Council.

- 5.11 If a person/household is found to be indigent, he/she will be registered on a database linked to the debtors system and to Council's Local Economic Development system.
- 5.12 The onus is on the recipient to inform the Council of any change in his/her status or personal household circumstances.
- 5.13 Punitive measures will be imposed on persons who misuse the system and provide incorrect information. These measures are:
 - 5.13.1 A person will forfeit his or her status as a registered indigent and will thereafter be treated as an ordinary residential property owner or account holder for the financial year concerned.
 - 5.13.2 Relief may be withdrawn if a registered indigent fails to keep to the terms of the policy or any tampering with the installations of the municipality is detected.
 - 5.13.3 A person shall be liable to repay the municipality with immediate effect all indigent relief received from the date of such fraudulent registration.
- 5.14 An approved community communications programme in English, Afrikaans and Xhosa, embodying the principles of transparency will be implemented in respect of the indigent support programme.
- 5.15 Council may introduce further principles consistent with the objectives of Indigent support and Social rebates.

6. **CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT AND SOCIAL REBATES**

6.1 **REGISTERED HOME OWNERS**

- 6.1.1 A household where the combined gross income of all occupants is below a level as defined by Council on an annual basis, inclusive of the unemployed and recipients of government old age and/or disability pensions.
- 6.1.2 Registered owner occupiers or residents in Municipal schemes who have signed a deed of sale with the Municipality will qualify.
- 6.1.3 Indigent support is not limited to residents in government housing schemes only. All residents that meet the criteria will qualify.
- 6.1.4 Applicants who formally apply for relief must satisfy the criteria/principles determined by Council.
- 6.1.5 Only households/occupants/residents/dependants who do not own more than one property, will qualify.
- 6.1.6 The applicant must be a South African citizen or must have proof of recognized refugee status.
- 6.1.7 An application for a rebate must be accompanied by an affidavit or documentary proof of the true income or employment status of the applicant.

6.2 **TENNANTS**

- 6.2.1 The tenant must apply in person and may qualify for refuse, basic water and sewerage charges only, for which charges he or she must receive a municipal account.
- 6.2.2 The person receiving the rent payable by the tenant whether on the person's own account or as an agent for any other person entitled thereto or interested therein, is responsible for rates.

6.3 **DECEASED ACCOUNT HOLDER**

- 6.3.1 The existing account will continue under the indigent relief measures, on condition that only the surviving spouse or dependent children may apply.

6.3.2 An application for the continuance of the indigent relief measure must be submitted.

6.3.3 The arrears, if any, of the deceased account holder will be written off on condition that the “interim account holder” take full responsibility for any future billing amounts.

7. **EXTENT OF INDIGENT SUPPORT AND SOCIAL REBATES**

The extent of any support will be determined by Council's budgetary provisions after taking into consideration the amount received from National Government for this purpose.

8. **APPLICATION FOR INDIGENT SUPPORT**

8.1 Applications for relief must be made in a manner prescribed by Council whereupon the applicant must comply with the necessary requirements to qualify for support.

8.2 The application form to contain, inter alia, the following important information:

8.2.1 Details of the account holder e.g. Owner of the property;

8.2.2 Proof of income of all residents of the household;

8.2.3 Identification documents; and

8.2.4 Number and names of dependants, permanently resident at that address.

8.3 Applications for continued relief must be submitted on an annual basis.

9. **APPLICATION FOR SOCIAL REBATE**

9.1 Council may annually grant a social rebate to pensioners and persons receiving a Government disability pension, or old age pension.

9.2 The conditions to qualify for the social rebate are as follows:

9.2.1 The person must be 60 years of age and older and only need to apply once where after a database of this category will be maintained, scrutinize annually, and automatically granted a rebate for all ensuing years.

9.2.2 The person must occupy the property registered in their name.

9.2.3 The joint gross income from all sources may not exceed an amount to be approved by Council on an annual basis (currently R4300 per month). Where two pensioners are residing on the same property, only one pension or grant amount will be taken into account to determine the rebate percentage.

9.2.4 Some of the sources of income from the applicant and the spouse of the applicant are the following:

- 9.2.4.1 Income from employment
- 9.2.4.2 Income from self-employment
- 9.2.4.3 Income from pension (all types of pension)
- 9.2.4.4 Income from rental
- 9.2.4.5 Income from investment

9.2.5 Persons who are under the age of 60 years and in receipt of a Government disability pension (grant) may also qualify for the social rebate.

10. **APPLICATION AND SUPPORTING DOCUMENTATION**

10.1 The applicant must complete an 'Application for Social Rebate' form, which will be available at all municipal enquiry offices.

10.2 The application must be submitted before 31 May of each year.

10.3 The following must accompany the application form:

- 10.3.1 Proof of any income
- 10.3.2 Proof of unemployment
- 10.3.3 A copy of the applicant's identity documents
- 10.3.4 An affidavit witnessed by a commissioner of oath that income from all sources is less than R4300 per month.

11. **ON-SITE AUDIT INSPECTION**

An on-site audit may be conducted by municipal employees or designated agents to verify the information supplied on the Application Form. Confirmation of circumstances will be at the discretion of Council.

12. **BASIC SERVICES OFFERED TO THE INDIGENT AND RECIPIENTS OF A STATE PENSION OR STATE DISABILITY GRANT**

Indigent Support and Social Rebates is to be provided for the following services, subject to funds being allocated and appropriate allocation of funds by the National Treasury and the relevant criteria being adhered to:

12.1 Rates

12.2 Basic Sewerage

12.3 Refuse

12.4 Basic Water

11.5 If on conventional metering a conversion to pre-paid is a pre requisite.

Consumption of water and electricity, subject to special allowances for free water and electricity, must be paid in full.

13. **DISCRETIONARY POWERS**

Council has the discretion to amend any clause, stipulation or tariff embodied in the Indigent Support and Social Rebate Policy in the interest of the parties concerned.

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CASH, LIABILITY AND INVESTMENT MANAGEMENT POLICY

Effective date: 1 July 2016

TABLE OF CONTENTS

	Page
1. Introduction	2
2. Regulatory Framework.....	2
2.1 Legislation – MFMA 56 of 2003	
2.2 Council approved policies	
2.3 Management Instructions	
2.4 Activity flow charts	
2.5 Job descriptions	
3. Objectives	2
4. Responsibility & Accountability	2
5. Borrowing Policy.....	4
5.1 General Policy	
5.2 Debt Limits	
5.3 Liquidity and Credit Risk Management	
5.4 Security	
5.5 Repayment	
5.6 Contingent Liabilities	
5.7 Foreign Currency Borrowing	
6. Investment Policy.....	6
6.1 General Policy	
6.2 Diversification	
6.3 Quotations	
6.4 Ownership	
6.5 Investment Managers	
7. Cash Management Policy	7
7.1 General Policy	
7.2 Bank Account	
7.3 Bank Overdraft	
8. Performance Management	8
8.1 Borrowing	
8.2 Investments	
8.3 Debtors	
9. Reporting	8
9.1 Reports	
10. Delegated Authorities & Key Internal Controls	9
10.1 Delegated Authorities	
10.2 Key Internal Controls	
11. Public Participation	10
12. Review of Policy.....	10

LIABILITY, INVESTMENT AND CASH MANAGEMENT POLICY

1. INTRODUCTION

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

2. REGULATORY FRAMEWORK

- Legislation – Municipal Finance Management Act 56 of 2003
- Treasury regulations in terms of Section 13(1) of the Act.

3. OBJECTIVES

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

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

4. RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of the MFMA are:

Council

- Approve borrowing during Annual Planning process, in line with the budget and IDP.
- Approve additional new borrowing not determined during the annual planning process.
- Approve Cash Management Policy.

Accounting Officer (Municipal Manager)

- Opening and closing bank accounts
- Formally review the treasury policy at least once every 2 years.
- Delegate authority to the Accountant: Treasury.

Director: Finance (CFO)

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

Financial Manager:

- Management responsibility for implementing policy relating to borrowing, investment and risk management activity.

Accountant: Treasury

- Responsible for keeping the Financial Manager informed of significant policy activity and market trends.
- Execute daily cash management, investment, borrowing and risk management activities.
- Arrange all borrowing documentation and prepare authorization resolutions.
- Produce monthly reports on investment, borrowing and risk management activity.
- Annual review of credit ratings of banks.
- Ensure all borrowing has been approved by Council.

5. DEBT POLICY

5.1 General Policy

Council borrows money by raising loans as it considers appropriate. Council approves borrowing by resolution. Projected debt levels are ascertained from detailed cash flow forecasts prepared during the Strategic and Annual Planning process, in line with the budget and IDP.

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

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

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

5.2 Debt Limits

In managing debt, Council will adhere to the following limits (based on Council's latest core financial statements as well as MFMA Circular 71):

- 5.2.1 The maximum level of all long term external debt will not exceed 25% of total carrying value of non-current assets.
- 5.2.2 The gross interest and redemption expense of all external long term borrowing will not exceed 15% of total own revenue as reflected in the Statement of Financial Performance.
- 5.2.3 Total debt (short term borrowing + bank overdraft + short term lease + long term borrowing + long term lease) will not exceed 45% of total operating revenue (excluding operating conditional grants and fines revenue).

5.3 Liquidity and Credit Risk Management

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

Council needs to ensure funds are available for repayment of debt; that maturities of investments and debt are matched through rolling cash flow forecasts; that investments are maintained in liquid assets and that funds are available through committed and/or uncommitted bank facilities.

5.4 Security

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

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

- 5.4.1 Charging a deemed rate or percentage of rates and/or service revenue; or
- 5.4.2 In special circumstances levy a charge over one or more of the Council's assets; or
- 5.4.3 Offer the project to be funded by the loan(s) as security for the loan(s).

5.5 Repayment

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

5.6 Contingent Liabilities

Council may from time to time, provide financial guarantees within its legal capacity. Management will ensure that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on a regular basis. Before granting a guarantee Council will secure collateral guarantees from the organization members.

These actions to be guided by S50 of the MFMA.

5.7 Foreign Currency Borrowing

Council may not raise loans in a foreign currency.

6. INVESTMENT POLICY

6.1 General Policy

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

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

6.2 Diversification

Council will only make investments with approved institutions which have an A rating.

As a guideline and not a rule, not more than 40% of available funds be placed with a single institution depending upon prevailing market conditions. (Excluding investments made per Council resolution). Notwithstanding the fact that provided that the investment is made at an A-rated bank, invest at the bank that pays the most interest.

6.3 Quotations

Prior to an investment being made, at least three [3] written quotations must be obtained.

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

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

6.4 Ownership

All investments must be made in the name of Knysna Municipality.

6.5 Investment Managers

If Investment Managers and/or Firms are to be used for the management of the entire investment portfolio of Council, then these services can only be utilised with prior Council approval based on cost effective considerations.

Should an Investment Management Firms be utilised for placing of individual investments, this must be done in terms of this policy as is the case for an investment with any approved financial institution.

7. CASH MANAGEMENT POLICY

7.1 General Policy

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

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

7.2 Bank Account

Council operates one primary bank account and the following secondary accounts for its day to day operational activity requirements:

- Cash account - day to day cash activities;
- Vat account – VAT 201 claims received from SARS;
- Revenue account – traffic fines paid to the municipality which are cleared regularly to the primary account.

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

7.3 Bank Overdraft

7.3.1 Council policy is, as far as is possible, to avoid going into overdraft.

Short-term debt will only be incurred based on expected income and must be repaid within the same financial year. (S45 of the MFMA)

7.3.2 Any overdrawn bank account at any date must be reported to the next available Council meeting with the attendant reasons.

7.3.3 Any short term facility that requires review must first be submitted to Council for agreement.

8. PERFORMANCE MEASUREMENT

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

8.1 Borrowing:

- 8.1.1 Adherence to policy.
- 8.1.2 Unplanned overdraft costs.
- 8.1.3 Comparison of actual monthly and year to date costs vs budget borrowing rate.

8.2 Investments:

- 8.2.1 Adherence to policy.
- 8.2.2 Timely receipt of interest income.

9. REPORTING

9.1 Reports

The following reports are produced:

Report Name	Frequency	Prepared by	Recipient
Investment	Monthly	Accountant: Treasury	Financial Manager, Director Finance, Council
Debt Report (Borrowing Monitoring Return)	Quarterly	Accountant: Treasury	Financial Manager, Director Finance, Council

10. DELEGATED AUTHORITIES & KEY INTERNAL CONTROLS

10.1 Delegated Authorities

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

10.2 Key Internal Controls

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

10.2.1 Organisational Controls

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

Cheque / Electronic Banking Signatories

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

- Cash floats may be utilized. The level of the float may not exceed R1000 and will be decided upon by the relevant manager in conjunction with the Director: Finance.

Authorised Personnel

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

10.2.2 Borrowing / Debt

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

- Borrowing / Debt activities are undertaken within the debt limits specified in Section 5 of the policy.

10.2.3 Investments

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

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

11. Public Participation

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

12. Review

This Liability, Investment and Cash Management Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of this policy must be approved by Council.

This policy must be reviewed and submitted for consideration by Council on an annual basis.

Funding and Reserves Policy 2016/2017

KNYSNA MUNICIPALITY



KNYSNA
Municipality Munisipaliteit uMasipala

FUNDING AND RESERVES POLICY

Effective date: 1 July 2016

INDEX

1. INTRODUCTION AND OBJECTIVE	2
2. SECTION A: FUNDING POLICY.....	2
2.1 LEGISLATIVE REQUIREMENTS	2
2.2 STANDARD OF CARE	2
2.3 STATEMENT OF INTENT	2
2.4 CASH MANAGEMENT	3
2.5 LIABILITY MANAGEMENT.....	3
2.6 FUNDING THE OPERATING BUDGET.....	3
2.7 FUNDING THE CAPITAL BUDGET	4
2.8 FUNDING COMPLIANCE MEASUREMENT.....	5
3. SECTION B: RESERVES POLICY	10
3.1 INTRODUCTION.....	10
3.2 LEGAL REQUIREMENTS	10
3.3 TYPES OF RESERVES	10
3.4 ACCOUNTING FOR RESERVES.....	12
4. SECTION C: REVIEW OF THE POLICY.....	12

The approved amendments to this policy are intended to make certain sections more clear, provide more details for readers, users and practitioners, and show links with the budget schedules required in the terms of the Municipal Budget and Reporting Regulations that are used in the Medium Term Revenue and Expenditure (MTREF) budget report that is submitted to council for approval of the annual budget.

FUNDING AND RESERVES POLICY

1. INTRODUCTION AND OBJECTIVE

The Council sets itself the objective of becoming a financially sustainable municipality with basic levels of service delivery to the entire community.

This policy aims to set standards and guide lines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

2. SECTION A: FUNDING POLICY

2.1 LEGISLATIVE REQUIREMENTS

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

In determining whether the budget is funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care that the objectives of this policy are achieved.

2.3 STATEMENT OF INTENT

The municipality will not pass a budget which is not funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance and provided that the requirements of the MFMA must at all times be adhered to.

2.4 CASH MANAGEMENT

Cash must be managed in terms of the municipality's Cash, Liability and Investment Management Policy.

2.5 LIABILITY MANAGEMENT

Debt must be managed in terms of the municipality's Cash, Liability and Investment Management Policy, together with any requirements in this policy.

2.6 FUNDING THE OPERATING BUDGET

2.6.1 INTRODUCTION

The municipality's objective is that the user of municipal resources must pay for such usage in the period in which it will occur.

The municipality recognises the plight of the poor, and in line with national and provincial objectives, commits itself to subsidizing services to the poor. This may necessitate cross-subsidization in some tariffs to be calculated in the budget process.

2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET

The following specific principles apply when compiling the budget:

- a) The budget must be funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information¹;
- c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;
- d) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities.

¹ Refer also to the Rates Policy, Section 3. Principles

Within the budget, grants recognised as revenue must equal the total expected expenditure from grants inclusive of capital expenditure and VAT, as per directives given in various MFMA Circulars.

- e) Projected revenue from services charges must be reflected as net (i.e. all billing less revenue foregone, including free basic services, discounts and rebates).
- f) Projected revenue from property rates must include all rates to be levied. All rebates and discounts must be budgeted for as revenue foregone.

The cash flow budget will reflect cash movements on the budgeted statement of financial position as well as cash items on the budgeted statement of financial performance.

- g) Depreciation must be fully budgeted for in the operating budget.

2.7 FUNDING THE CAPITAL BUDGET

2.7.1 INTRODUCTION

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non – existent.

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as acquiring new assets.

2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The capital budget can be funded by way of transfers and grants, public contributions and donations, borrowing and internally generated funds. Proceeds from the sale of assets must mainly be used to fund the capital replacement reserve and infrastructure type projects.

Internally Generated Funds

The capital budget may be financed from internally generated funds such as the capital replacement reserve and surplus cash resources. The allocations of the funding sources from internally generated funds will be determined during the budget process.

Transfers and Grants (Including Public Contributions and Donations)

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should be taken that the acceptance of grant funding does not place an unreasonable burden on the residents for future operating and maintenance costs which may be higher than their ability to pay.

The Accounting Officer will annually evaluate the long term effect of capital grants on future tariffs, and if deemed necessary, report on such to Council.

Borrowings

The municipality may only raise long-term borrowings in accordance with its Cash, Liability and Investment Management Policy.

The Accounting Officer must put accounting measures in place to ensure that no unspent portions of loans are utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year, i.e. any unspent borrowings at year end must be cash-backed in the 'Cash backed reserves reconciliation'.

Repaying long-term liabilities will impact directly on future tariffs that will be charged to consumers. For this reason, Council will give priority to borrowing for revenue-generating assets only. Provision for acquiring non-revenue generating assets will be made by way of utilising other funding sources.

2.8 FUNDING COMPLIANCE MEASUREMENT

2.8.1 INTRODUCTION

The municipality must ensure that the annual budget or any subsequent adjustments budget complies with the requirements of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget. These indicators will include all indicators as recommended by National Treasury as well as any additional indicators detailed in this policy.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved, unless those negative indicators can

be reasonably explained and any future budget projections address the turn-around of these indicators to within acceptable levels².

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive cash/cash equivalents position should be maintained throughout the year. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A"³.

2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The overall cash position (cash/cash equivalents and investments) of the municipality must be sufficient that it can:

- Provide for the cash-backing of:
 - unspent conditional transfers and grants;
 - unspent conditional public contributions;
 - unspent borrowing;
 - the cash portion of statutory funds such as the Housing Development Fund;
 - VAT due to SARS;
 - secured investments (whether long- or short-term);
 - reserves as approved by the municipality and those portions of provisions as indicated elsewhere in this policy; and
- Take into account other working capital requirements.

2.8.4 INDICATORS

2.8.4.1 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")⁴

This indicator shows the level of risk should the municipality experience financial stress.

2.8.4.2 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS⁵

It is probable that the operating budget including depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, could result in a deficit.

² Indicators may include those referred to in the following budget schedules:

SA8: Performance indicators and benchmarks

SA10: Funding measurement

³ A surplus balance on budget schedule A8: Cash backed reserves/accumulated surplus reconciliation

⁴ Supporting Table SA10 Funding measurement: indicator no. 3

⁵ Supporting Table SA10 Funding measurement: indicator no. 4

It is not the intention that residents be burdened with tariff increases to provide for such depreciation charges. In order to ensure a “balanced” budget but excluding such depreciation charges, the depreciation charges maybe offset against the net surplus / deficit.

2.8.4.3 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET⁶

The intention of this indicator is to ensure that tariff increases are in line with macro economic targets, but also to ensure that revenue increases for the expected growth in the geographic area are realistically calculated.

The formula to be used is as follows:

	DESCRIPTION	PROPERTY RATES	SERVICE CHARGES	TOTAL
A	Revenue of budget year	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
C	=Revenue increase/decrease	R XX	R XX	R XX
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper limit of macro Inflation target	%	%	%
F	=Growth in excess of inflation target	%	%	%
G	Less: Expected growth %	%	%	%
H	=Increase attributed to tariff Increase above macro inflation target	%	%	%

In the event that the percentage in (h) above is greater than zero, a proper motivation must accompany the budget at submission, or the budget must be revised.

2.8.4.4 CASH COLLECTION PER CENTRATE⁷

The object of the indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

⁶ Supporting Table SA10 Funding measurement: indicator no. 5

⁷ Supporting Table SA10 Funding measurement: indicator no. 6

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the current rate. Any improvement in collection rates during the budget year may be appropriated in an Adjustments Budget.

2.8.4.5 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE⁸

This indicator provides information as to whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the difference between 100per cent and the cash collection rate, but other factors such as past performance can have an influence on it. Excessive differences should be motivated and/or explained in the MTREF budget report.

2.8.4.6 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)⁹

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the municipality's liability management.

2.8.4.7 GRANT REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE¹⁰

The percentage attained should never be less than 100per cent and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

2.8.4.8 CONSUMER DEBTORS CHANGE (CURRENT- AND NON-CURRENT)¹¹

The object of the indicator is to determine whether budgeted reductions in outstanding debtors are realistic.

Any unacceptably high increase in either current or non–current debtors' balances should be investigated and reported.

2.8.4.9 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL¹²

Property Plant and Equipment should be maintained properly at all times in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining

⁸ Supporting Table SA10 Funding measurement: indicator no. 7

⁹ Supporting Table SA10 Funding measurement: indicator no. 8

¹⁰ Supporting Table SA10 Funding measurement: indicator no. 10

¹¹ Supporting Table SA10 Funding measurement: indicator no. 11 and 12

¹² Supporting Table SA10 Funding measurement: indicator no. 13

maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

As a general benchmark the maintenance budget infrastructure assets should be 8 per cent of the asset values (write down values). Currently the ratio is below this and the benchmark should be achieved within the next ten years.

Where the budgeted amounts for repairs and maintenance reflected on Table A9 are less than 8 per cent of the asset value (write down value) of the municipality's Plant Property and Equipment (PPE) as reflected in the municipality's annual financial statements, the municipality must provide a detailed explanation and assurance that the budgeted amount is adequate to secure the ongoing health of the municipality's infrastructure supported by reference to its asset management plan or disclosure of determination of the repairs and maintenance per asset class in the MTREF budget report.¹³

Should the municipality receive an audit qualification related to its assets register, where the budgeted amounts for repairs and maintenance reflected on Table A9 are less than 10 per cent of the municipality's operating expenditure on Table A4, the municipality must provide a detailed explanation and assurance that the budgeted amount is adequate to secure the ongoing health of the municipality's infrastructure supported by reference to its asset management plan.¹⁴

2.8.4.10 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL¹⁵

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

Where the municipality allocates less than 40 per cent of its Capital Budget (as reflected on Table A8) to the renewal of existing assets it must provide a detailed explanation and assurance that the budgeted amount is adequate to secure the ongoing health of the municipality's infrastructure supported by reference to its asset management plan.¹⁶

¹³Based on MFMA Circular 55, paragraph 4.2

¹⁴ MFMA Circular 55, paragraph 4.2

¹⁵ Supporting Table SA10 Funding measurement: indicator no. 14

¹⁶ MFMA Circular 55, paragraph 4.2

3. SECTION B: RESERVES POLICY

3.1 INTRODUCTION

Fund accounting historically formed the major component of municipal finance in the Institute for Municipal Finance Officers (IMFO) standards.

After the change to General Recognised Accounting Practices (GRAP), fund accounting is no longer allowed.

However, the municipality recognises the importance to itself, its creditors, financiers, staff and the general public of providing for a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy therefore aims to provide for a measure of protection by creating certain reserves.

3.2 LEGAL REQUIREMENTS

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund. The GRAP Standards themselves do not provide for reserves.

The GRAP “Framework for the Preparation and Presentation of Financial Statements” states in paragraph 91 that such reserves may be created, but “Fund Accounting” is not allowed and any such reserves must be a “legal” reserve, i.e. created by law or Council Resolution.

3.3 TYPES OF RESERVES

Reserves can be classified into two main categories being “cash funded reserves” and “non – cash funded reserves”.

3.10.1 CASH FUNDED RESERVES

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

(a) Capital Replacement Reserve (CRR)

The CRR is to be utilised for future capital expenditure from own funds and may not be used for maintenance or other operating expenditure.

The CRR must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the annual financial statements. The cash proceeds on the sale of immovable assets such as land and buildings, will be transferred to the CRR in order to build resources for the acquisition of future assets.

(b) Employee benefits reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

The contributions to the reserve must be made upon the discretion of the Accounting Officer during the compilation of the annual financial statements, when available cash surpluses are evaluated.

(c) Non-current provisions reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions.

The contributions to the reserve must be made upon the discretion of the Accounting Officer during the compilation of the annual financial statements, when available cash surpluses are evaluated.

(d) Valuation reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be made upon the discretion of the Accounting Officer during the compilation of the annual financial statements, when available cash surpluses are evaluated.

(e) Other statutory reserves

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

3.10.2 NON – CASH FUNDED RESERVES

On occasion it is necessary to create non – cash funded reserves. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required.

The Accounting Officer is delegated to create reserves for future depreciation offsetting, in the absence of a standard similar to IAS 20.

3.4 ACCOUNTING FOR RESERVES

3.4.1 REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

3.4.2 OTHER RESERVES

The accounting for all other reserves must be processed through the Statement of Financial Performance. The required transfer to or from the reserves must be processed in the Statement of Net Assets to or from the accumulated surplus.

It is a condition of GRAP and this policy that no transactions may be directly appropriated against these reserves.

4. SECTION C: REVIEW OF THE POLICY

This Funding and Reserves Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of this policy must be approved by Council.

This policy must be reviewed and submitted for consideration by Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

APPENDIX A

RECONCILIATION OF CASH REQUIREMENTS

Cash flow from operating activities	R XX
Add : Depreciation from own funds	R XX
Add : Contribution to provisions	R XX
Add : Contribution to CRR	R XX
Add : Contribution to Employee Benefits reserve	R XX
Add : Contribution to Valuation reserve	R XX
Add : Unspent conditional grants	R XX
Add : Unspent public contributions	R XX
Add : Unspent borrowings	R XX
Add : VAT due to SARS	R XX
Add : Secured investments	R XX
Add : Cash portion of Statutory Reserves	R XX
Add : Working Capital Requirements	R XX
= Minimum Cash Surplus Requirements for the year	R XX

KNYSNA MUNICIPALITY



PROPERTY RATES POLICY

Effective from 01 July 2016

PROPERTY RATES POLICY:

TABLE OF CONTENTS

1.	BACKGROUND	3
2.	LEGISLATIVE CONTEXT	3
3.	DEFINITIONS	3
4.	PRINCIPLES	6
5.	CATEGORIES OF PROPERTY	6
6.	EXCLUSION OF RATEABLE PROPERTY FROM THE PAYMENT OF RATES	8
7.	DIFFERENTIAL RATE TARIFFS	8
8.	RELIEF MEASURES RELATED TO CATEGORIES OF PROPERTIES	8
9.	SPECIAL CASES	9
10.	REBATES AND GRANTS	10
11.	CRITERIA FOR INCREASING OF RATE TARIFFS	10
12.	REDUCTIONS IN MARKET VALUES	10
13.	LIABILITY FOR RATES	11
14.	COSTS OF EXEMPTIONS, REBATES AND REDUCTIONS	12
15.	LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT	12
16.	REGISTER OF PROPERTIES	13
17.	NOTIFICATION OF RATES	13
18.	CORRECTION OF ERRORS AND OMISSIONS	13
19.	FREQUENCY OF VALUATIONS	13
20.	SHORT TITLE	13

KNYSNA MUNICIPALITY

PROPERTY RATES POLICY 2016/17

1. BACKGROUND

In 2011, the Knysna Municipality initiated a process to prepare a General Valuation Roll of all property situated within the geographical boundaries of the municipality in terms of the Local Government: Municipal Property Rates Act, 6 of 2004 (MPRA), which became operative on 2 July 2005. This policy is formulated in terms of section 3 of the MPRA.

2. LEGISLATIVE CONTEXT

- 2.1 In terms of section 229 of the Constitution, a municipality may impose rates on property.
- 2.2 In terms of section 4(1)(c) of the Local Government: Municipal Systems Act, 32 of 2000 (MSA), a municipality has the right to finance the affairs of the municipality by imposing, inter alia, rates on property.
- 2.3 In terms of section 2(1) of the MPRA, a municipality may levy a rate on property in its area in accordance with the other provisions of the MPRA.
- 2.4 This policy must be read together with, and is subject to the provisions of, the MPRA and the Knysna Municipality Rates By-Law.
- 2.5 In terms of Section 8(1) of the MPRA, the municipality is levying rates on the use of the property.

3. DEFINITIONS

In addition to the definitions contained in the MPRA and the Rates By-Law, the following words and phrases bear the meanings assigned to them below:

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

“Agricultural property” means property that is used primarily for agricultural purposes but excluding any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading hunting of game.

“Green rebate” means a rebate granted by Council on a property or residential estate situated outside of the urban edge as defined in the Knysna Spatial Development Framework and which has a management plan to manage and eradicate alien vegetation and which encourages the retention of the unique natural economy and environment that is Knysna.

“Heritage” means a property containing a building or other heritage resource of national, provincial, or municipal significance.

“Major accommodation establishment” means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal and continuous basis where the total number of lettable bedrooms exceeds eight or the property offers restaurant and/or bar and/or conference facilities.

“Market value”, in relation to a property, means the value of the property determined in accordance with section 46 of the Act;

“Minor accommodation establishment” means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal and continuous basis in addition to its primary use for a single family residence where the number of lettable bedrooms does not exceed eight.

“Naturally Knysna incentive rebate” means a rebate granted by Council on an industrial or commercial property, the purpose of which is to incentivise the movement of business to support the principles embodied in the initiative that is Naturally Knysna.

“New Business incentive rebate” means a rebate granted, on an inclining scale, on a property used for a new business brought to the area.

“Non-residential” means all property other than those defined as residential.

“Permitted use”, in relation to a property, means the limited purposes for which the property may be used in terms of –

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

“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.

“Property” means-

- (a) immovable property registered in the name of a person or other legally constituted entity , including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person or other legally constituted entity;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation;
- (d) public service infrastructure.

“Protected area” means an area that is listed in the register referred to in section 10 of the National Environmental Management: Protected Areas Act 2003.

“Public Benefits Organisation” means an organisation conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax act for tax reductions because of those activities.

“Public Service Infrastructure” means publicly controlled infrastructure (as defined in the MPRA) may not be rated on the first 30% of market value in terms of section 17(1)(a) of the MPRA.

“Public Service Purposes” in relation to the use of a property means property owned and used by an organ of state as per Section 1(2)(a), (b), (c), (d), (e) or (f) of the Act but excludes property contemplated in the definition of “public service infrastructure”.

“Residential” means improved property that is:

Used predominantly (60% or more) for residential purposes, with not more than two dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes), or

A unit registered in terms of the Sectional title Act, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which used together with the residential unit as if it were one property, for example a garage or domestic workers quarters. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes), or

Owned by a share-block company and used predominantly (60% or more) for residential purposes, or

Retirement schemes and life right schemes used predominantly (60% or more) for residential purposes.

“Rural” means a property previously defined for rates purpose as agricultural but used predominantly for residential purposes.

“State-owned” means property owned by the State, which are not included in the definitions of public service infrastructure or public service purposes in the Act. These properties are classified as follows:

- (a) State properties that provide local services;
- (b) State properties that provide regional/municipal district-wide/metro-wide services;
- (c) State properties that provide a provincial/national service.

4. PRINCIPLES

The following principles ensure that the municipality treats persons liable for rates equitably:

- Equity

The municipality will treat ratepayers with similar properties in a like manner.

- Affordability

The ability of a person to pay rates will be taken into account by the municipality. The municipality may provide relief measures through specified exemptions, reductions or rebates to the poor or indigent as defined in Council's Indigent policy.

The Municipality may:-

- levy different rate tariffs on different categories of properties,
- exempt a specific category of property from payment of rates,
- grant a rebate on, or a reduction in, the rate payment.

Council also pledges itself to limit each maximum annual increase, as far as is practicable, to the increase stipulated by National Treasury in the appropriate annual Budget Circular except when the approved integrated development plan of Council requires a greater increase or there has been a significant change in the valuation of a property.

5. CATEGORIES OF PROPERTY

Properties will be categorised as follows:-

Categories as per the Property Rates Policy

- (a) Residential
- (b) Industrial properties
- (c) Business & Commercial Properties
- (d) Minor Accommodation Establishments
- (e) Major Accommodation Establishments
- (f) Agricultural
- (g) Rural used for-
 - (i) residential purposes;
 - (ii) non-residential purposes;
 - (iii) minor accommodation establishments;
 - (iv) major accommodation establishments.
- (h) Properties owned by an organ of state used for public service purposes
- (i) Municipal
- (j) Public Open Spaces and Private Open Spaces
- (k) Public service infrastructure
- (l) Protected areas
- (m) Properties owned by public benefit organizations and used for specified public benefit activities
- (n) Properties used for multiple purposes
- (o) Heritage areas
- (p) Properties-
 - (i) acquired through Provision of Land and Assistance Act, 1993 (No 126 of 1994) or the Restitution of Land Rights Act, 1994 (No 22 of 1994); or
 - (ii) Subject to the Communal Property Associations Act, 1996 (No 28 of 1996).
- (q) Vacant Land-
 - (i) Domestic;
 - (ii) Business;
 - (iii) Domestic Non-Urban.
- (r) Any other category of property, as Council may from time to time identify, as may be determined by the Minister or Council with the concurrence of the Minister of Finance by Notice in the Gazette

Categories as defined in the General Valuation Roll with Category Numbers

- (a) Improved Residential (8001)
- (b) Light Industrial (8007)
- (c) Business & Commercial Properties (8003)
- (d) Accommodation 1-8 Rooms (8030)
- (e) Accommodation 9+ (8031)
- (f) Agricultural (8008)
- (g) Rural used for-
 - (i) Non-Urban Domestic (8051);
 - (ii) Business (8003);
 - (iii) Accommodation 1-8 Rooms (8030);
 - (iv) Accommodation 9+ (8031).
- (h) State (8007)/Vacant State (8041) Land
- (i) Municipal Buildings (8004)
- (j) Public Open Spaces (8006) and Private Open Spaces (8005).
- (k) PSI (8011).
- (l) Non-Urban Domestic (8051).
- (m) Public Benefit Organization (8015)
- (n) Non-Urban Domestic (8051)
- (o) Non-Urban Domestic (8051)
- (p) Properties-
 - (i) Acquired through Provision of Land and Assistance Act, 1993 (No 126 of 1994) or the Restitution of Land Rights Act, 1994 (No 22 of 1994); or
 - (ii) Subject to the Communal Property Associations Act, 1996 (No 28 of 1996).
- (q) Vacant Land-
 - (i) Domestic (8034, 8035, 8036)
 - (ii) Business (8040)
 - (iii) Domestic Non-Urban (8035)

6. EXCLUSION OF RATEABLE PROPERTY FROM THE PAYMENT OF RATES

The following properties will be excluded from the payment of rates:-

- Properties of which the municipality itself is the owner;
- Public service infrastructure;
- Rights registered against immovable property in the name of a person;
- Land owned by a registered religious body or organisation, and exclusively used as a place of assembly for public worship;
- Properties registered or recognised as private nature reserves in terms of relevant legislation, which are not developed or used for commercial, business, agricultural or residential purposes.

7. DIFFERENTIAL RATE TARIFFS

7.1 GENERAL

The following may be taken into consideration in determining differential rate tariffs:

- The use of the property;
- The rural area where the property is situated;
- The nature of the property including the impact of rates on its operations, e.g. agricultural properties used for farming purposes;
- The promotion of social and economic development of the municipality.

7.2 MULTI USE PROPERTIES

Property tax on properties used for multiple purposes will be determined by:

- Apportioning the market value of the property to the different purposes for which the property is used; and
- Applying the relevant rate tariff to the corresponding market value.

8. RELIEF MEASURES RELATED TO CATEGORIES OF PROPERTIES

NOTE: IN ADDITION TO WHAT IS SET OUT BELOW, COUNCIL MAY ANNUALLY DETERMINE A BASE VALUE WHICH WILL BE DEDUCTED FROM THE MARKET VALUE SHOWN ON THE VALUATION ROLL, IN COMPUTING THE RATE LIABILITY.

8.1 CRITERIA FOR EXEMPTIONS, REBATES AND REDUCTIONS

The following will be taken into consideration for the purpose of granting exemptions, rebates and reductions:

- Indigent status of the owner of a property;
- Nature, amount and source of income of the owner of a property. (e.g. pensions and social grants);
- Market value of residential property below a determined threshold;
- Social or economic conditions of the area where the owners of property are located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of Disaster Management Act, 2002 (Act.57 of 2002);
- Retention and restoration of conservation worthy buildings;
- Owners of agricultural properties who are registered with the Receiver of Revenue as *bona fide* farmers;
- The need to preserve the unique natural environment that is Knysna;
- The requirements of the Property Rates Act no 6 of 2004.

9. SPECIAL CASES

9.1 PUBLIC BENEFIT ORGANISATIONS

Taking into account the effects of rates on Public Benefit Organisations performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, it is proposed that Public Benefit Organisations (PBOs) performing the following specified public benefits activities will be granted a rebate of 75%:

- Welfare and humanitarian, such as providing disaster relief;
- Health Care, such as the counselling, care and treatment of persons (and their dependants) afflicted with HIV and AIDS.

9.2 PUBLIC SERVICE INFRASTRUCTURE

All public service infrastructure providing essential services to the community shall be exempted from the payment of rates.

9.3 STATE PROPERTIES

State properties (e.g. Schools, clinics, police stations etc.) that provide local services are exempted from rates to the extent of 20% of its value.

9.4 RELIGIOUS ORGANISATIONS

The official residence registered in the name of a religious community and occupied by a full time office bearer shall be exempt from rates.

10. REBATES AND GRANTS

Rebates for the following categories of properties may be considered:

- (a) Residential properties (including flats and sectional title units)
- (b) Agricultural properties
- (c) Protected areas
- (d) State owned properties
- (e) Heritage areas
- (f) Rural properties as defined
- (g) Properties used for businesses purposes where the owner of the business is new to the municipality or the nature of the business is new to the municipality.

The rebate will be applied on a sliding scale as follows:

100% in year 1,
75% in year 2,
50% in year 3, after which the rebate falls away.

Over and above the determinations contemplated in section 17(1)(h) of the Act owners of property who depend on pensions or social grants for their livelihood may qualify for a rebate as determined by Council's Indigent policy.

11. CRITERIA FOR INCREASING RATE TARIFFS

11.1 The following will be taken into account for the purpose of increasing or decreasing of rates:

- Priorities of the municipality reflected in its Integrated Development Plan.
- The revenue needs of the municipality;
- Affordability of rates to ratepayers.

11.2 The municipality will consider the imposition of rates annually during the budget process.

11.3 All increases in property rates will be communicated to the community in terms of Section 21 A of the Municipal Systems Act (Act no. 32 of 2000).

12. REDUCTIONS IN MARKET VALUES

- (1) A reduction in the municipal valuation as contemplated in section 15 (1) (b) of the Act, may be granted where the value of a property is affected by fire damage, demolition or flood.

- (2) The reduction will be granted by the Chief Financial Officer only after a valuer has carried out an inspection of the property concerned.

13. LIABILITY FOR RATES

(1) Annual Payment Arrangements

By prior arrangement Knysna Municipality will recover the rates levied in a single amount, which is due on or before 30 September of the year in which it is levied. Applications must be submitted before 31 May for this option however the Chief Financial Officer may consider any applications after this date on merit.

(2) Method and time of payment

Knysna Municipality will recover the rates levied in periodic instalments of equal amounts over twelve months. The instalment is payable on or before the last working day of every month, following the month in which it has been levied. Interest will be charged at 1 % (per month) above the prime interest rate for late payments received on outstanding amounts.

(3) Recovery of arrear rates from tenants, occupiers and agents

If an amount due for rates levied in respect of a property is unpaid after the day determined, the municipality may recover the amount in whole or in part from a tenant or occupier of the property. The amount the municipality might recover from the tenant or occupier of the property is limited to the amount of the rent or other money due and payable by the tenant or occupier to the owner of the property. Any amount the municipality recovers from the tenant or occupier of the property may be set off, by the tenant or occupier, against any money owed by the tenant or occupier to the owner.

The municipality may recover the amount due for rates from an agent of the owner after it has given written notice to that agent or person. The amount the municipality may recover from the agent or other person is limited to the amount of rent received by the agent or person, less the commission due to that agent or person, subject to the Estate Agents Act, 1976 (Act No. 112 of 1976). The agent or other person must, on request by the municipality, furnish the municipality with a written statement specifying all payments for rent on the property received by that agent or person during a period determined by the municipality.

(4) Ownership

Properties, which vest in the municipality during developments, i.e. open spaces and roads, will be transferred at the cost of the developer to the municipality. Until such time, rates levied will be for the account of the developer.

(5) Interim Valuation Debits

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 previous owner as well as the new owner will be held jointly and separately responsible for the settlement of the interim rates account.

(6) Developments

The developer of a property will be liable for all rates raised on the development until the individual units are transferred to the new owners including properties which must be transferred to the municipality in terms of the land use ordinance and development agreement.

(7) Clearance Certificate

Rates Clearance Certificates will be valid until 30 June if monies have been paid in full until such date. However, should attorneys request to extend the certificate for 120 days beyond this date, and this extension of time surpasses the date of 30 June, the new year's rates become payable in full.

No Clearance Certificates will be issued if there are any outstanding amounts on a seller's municipal account.

(8) Levying of rates on property in sectional title schemes

A rate on property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme. However, in valuing the sectional title unit there shall be included in that value the owners proportionate share of the value of the common use areas such as gardens, roads, swimming pools, passages etc.

14. COSTS OF EXEMPTIONS, REBATES AND REDUCTIONS

- (1) During the budget process the Chief Financial Officer must inform Council of all costs associated with exemptions, rebates and reductions.
- (2) Provision must be made on the operating budget for:
 - (a) the full potential income associated with property rates; and
 - (b) the full costs associated with exemptions, rebates and reductions.

15. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT

- (1) The municipality may grant rebates to organisations that promote local, social and economic development based on the criteria determined in its local, social and economic development policy(s). The following criteria will apply:
 - (a) job creation in the municipal area;
 - (b) social upliftment of the local community; and

- (c) creation of infrastructure for the benefit of the community.
- (2) Rebates may be granted up to 100% of the rates payable and must be phased out within 3 years from the date that the rebate was granted for the first time.

16. REGISTER OF PROPERTIES

The Chief Financial Officer must cause to have drawn up and maintain a register of properties as contemplated as section 23 of the Act.

17. NOTIFICATION OF RATES

- (1) Council will give notice of all rates approved at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days' notice will be based on the new rates.
- (2) A notice stating the purport of the Council resolution, date on which the new rates shall become operational will be displayed by the municipality at places installed for that purpose.

18. CORRECTION OF ERRORS AND OMISSIONS

Where the 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 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 rates were first levied in terms of the current valuation roll. 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 rates payable shall be levied at the maximum rate permitted by prevailing legislation.

19. FREQUENCY OF VALUATIONS

The municipality shall prepare a new valuation roll from time to time and a supplementary valuation roll at least once a year.

20. SHORT TITLE

This policy is the Property Rates Policy of the Knysna Municipality.



KNYSNA
Municipality Munisipaliteit uMasipala

SUPPLY CHAIN MANAGEMENT POLICY

MODULE 1: GENERAL	9
PART 1: DOCUMENT DEFINITION	9
1.1 ISSUING CERTIFICATE	9
1.2 APPROACH	9
1.3 APPLICATION	10
1.4 MAINTENANCE	10
1.5 IMPLEMENTATION	10
PART 2: LEGISLATIVE ENVIRONMENT	10
PART 3: OVERALL OBJECTIVE	11
3.1 OVERALL OBJECTIVES	11
3.2 THE SCM POLICY	11
3.3 POLICY ADOPTION AND REVIEW	11
PART 4: PROCUREMENT PRINCIPLES	11
4.1 PROCUREMENT PRINCIPLES	11
MODULE 2: INSTITUTIONALISATION	14
PART 5: SCM SYSTEM	14
5.1 SCM SYSTEM	14
PART 6: PLANNING	14
6.1 PLANNING	14
PART 7: SCM FUNCTION, UNIT AND CAPACITY BUILDING	14
7.1 SCM FUNCTION, UNIT AND CAPACITY BUILDING	14
PART 8: AUTHORITY TO EXECUTE	15
8.1 DELEGATION OF AUTHORITY	15
8.2 RESPONSIBILITY OF OFFICIALS	15
8.3 PARTICIPATION OF ADVISORS	15
PART 9: ROLES AND RESPONSIBILITIES	15

9.1	SCM FOCUS	15
	<i>Refer to section 117 of the MFMA and SCM TR 6</i>	15
9.2	MUNICIPAL COUNCIL	15
9.3	ACCOUNTING OFFICER	17
9.4	CHIEF FINANCIAL OFFICER	17
9.5	LINE FUNCTION/USERS	18
9.6	SCMU	18
	PART 10: SCM GOVERNANCE	19
10.1	ETHICS	19
10.2	DECLARATION OF INTEREST	19
10.3	EQUAL TREATMENT	20
10.4	ACCOUNTABILITY	20
10.5	OPENNESS	20
10.6	CONFIDENTIALITY	20
10.7	INDEPENDENCE	20
10.8	GIFTS AND HOSPITALITY	21
10.9	FRAUD AND CORRUPTION	21
10.10	COMBATIVE PRACTICES	21
10.11	INTERNAL ABUSE OF THE PPPFA	21
10.12	EXTERNAL ABUSE OF PPPFA	22
10.13	FRONTING	22
10.14	SCM ABUSE	22
10.15	DISPUTES, COMPLAINTS, ENQUIRIES AND OBJECTIONS MECHANISM	23
10.16	SCM RELATED APPEALS	23
10.17	COMPLIANCE	24
10.18	ACCESS TO INFORMATION	24
	PART 11: COMMITTEE SYSTEM	25
11.1	COMMITTEE SYSTEM	25
11.2	BID SPECIFICATION COMMITTEE	26
11.2.1	ROLES AND RESPONSIBILITIES OF MEMBERS	26

11.2.2	ESTABLISHMENT OF BID SPECIFICATIONS COMMITTEES	26
11.2.3	COMPOSITION OF BID SPECIFICATIONS COMMITTEES	26
11.3	BID EVALUATION COMMITTEE	26
11.3.1	ROLES AND RESPONSIBILITIES OF MEMBERS	26
11.3.2	ESTABLISHMENT OF BID EVALUATION COMMITTEES	27
11.4	BID ADJUDICATION COMMITTEE	27
11.4.1	ROLES AND RESPONSIBILITIES	27
11.4.2	ESTABLISHMENT OF BID ADJUDICATION COMMITTEE	28
11.4.3	COMPOSITION OF BID ADJUDICATION COMMITTEE	29
11.5	INFRASTRUCTURE DEVELOPMENT MANAGEMENT SYSTEM COMMITTEES (IDMS)	29
11.6	DISPOSAL COMMITTEE	29
11.7	SECRETARIAT SERVICE	29
11.8	RESOLUTION OF COMMITTEE DISAGREEMENTS	30
	MODULE 3: DEMAND MANAGEMENT	31
	PART 12: NEEDS ANALYSIS	31
12.1	SYSTEM OF DEMAND MANAGEMENT	31
12.2	SDBIP	31
12.3	ANNUAL PERFORMANCE PLANNING PROCESS	31
12.4	ASSESSMENT OF CURRENT AND FUTURE NEEDS	31
12.5	ASSESSMENT OF AVAILABLE ASSETS	31
12.6	ANALYSIS OF PAST EXPENDITURE	31
12.7	ANNUAL OPERATIONAL PLAN	32
12.8	AD HOC NEEDS ANALYSIS	32
	PART 13: FUNDING	32
13.1	FUNDING PLAN FOR PROCUREMENT	32
	PART 14: SPECIFICATIONS / TERMS OF REFERENCE	32
14.1	SCOPING THROUGH A REQUEST FOR INFORMATION (RFI)	32
14.2	COMPILATION OF THE SPECIFICATION OR TERMS OF REFERENCE	33
	PART 15: DATABASE FOR SUPPLIERS	33
15.1	ESTABLISHMENT OF THE LIST OF PROSPECTIVE PROVIDERS PER COMMODITY	33
15.2	UPDATING OF THE LIST	33

15.3 UTILISATION PROCEDURE	33
15.4 REMOVAL FROM THE PROSPECTIVE PROVIDER LIST	33
PART 16.1: STRATEGIC SOURCING	34
16.1 ANALYSIS OF SUPPLY INDUSTRY	34
PART 16.2: STRATEGIC SOURCING	34
16.2 STRATEGIC SOURCING	34
MODULE 4: ACQUISITION MANAGEMENT	37
PART 17: ACQUISITION MANAGEMENT SYSTEM	37
17.1 ACQUISITION MANAGEMENT SYSTEM	37
17.1.1 THE ACQUISITION SYSTEM	37
17.1.2 TYPES OF PROCUREMENT	37
17.1.3 DIRECTIVES FOR SPECIFIC TYPES OF REQUIREMENTS	37
PART 18: THRESHOLD VALUES	38
18.1 RANGE OF PROCUREMENT PROCESSES AND THRESHOLDS	38
PART 19: PROCUREMENT PROCESSES	39
19.1 PETTY CASH TRANSACTIONS UP TO R2000 (A Order type)	39
19.2 INFORMAL QUOTES (B and C order type)	39
Above R2 000 and less than R10 000	39
Above R10 000 and less than R30 000	39
19.3 INFORMAL BIDS (R order type)	40
19.4 COMPETITIVE BIDDING	42
(i) BID EVALUATION COMMITTEE FOR PROCUREMENT ABOVE R200 000	43
19.5 TENDER STRATEGIES LINKED TO COMPETITIVE BIDS	44
19.5.1 COMPETITIVE BIDDING	44
19.5.2 TWO-STAGE BIDDING	44
19.5.3 TRANSVERSAL BIDS	44
19.5.4 DIRECT NEGOTIATION	44
19.5.5 CONSULTANTS	45
19.5.6 INFORMATION TECHNOLOGY	46
19.5.7 BANKING SERVICES	46
19.5.8 GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS	47
19.5.9 PROCUREMENT FROM ABROAD	47
19.5.10 ROSTER	47
19.5.11 LIST DEVIATIONS	48
19.5.12 ORGANS OF STATE	48
19.5.13 EMERGENCY	49
19.5.14 UNSOLICITED BIDS	49
19.5.15 SPONSORSHIPS	49

PART 20: GENERIC BID ISSUES	50
20.1 COMPILATION OF BID DOCUMENTS	50
20.1.1 BID DOCUMENTS FOR BIDS	50
20.1.2 LANGUAGE OF QUOTATION / BID DOCUMENTS	51
20.1.3 CALLING FOR BIDS	51
20.1.4 ADVERTISING OF BIDS	51
20.1.5 CLOSING TIME OF BIDS	52
20.1.6 DETERMINING THE CLOSING PERIOD	52
20.1.7 DETERMINING THE VALIDITY PERIOD	52
20.1.8 AVAILABILITY OF BID DOCUMENTS	53
20.1.9 SALE OF BID DOCUMENTS	53
20.1.10 RESPONSES RECEIVED	53
20.1.11 ELEMENTS FOR INCLUSION IN BID DOCUMENTS	53
20.1.12 PRE-BID INFORMATION/SITE MEETINGS	54
20.1.13 CHANGING INFORMATION BEFORE CLOSING TIME	54
20.1.14 POSTPONEMENT OF CLOSING DATE	54
20.2 POST TENDER CLOSING ACTIVITIES	54
20.2.2 Admission of bids	54
20.2.3 Confidentiality	55
20.2.4 Bids received late	55
20.3 CONSIDERATION OF BIDS	55
20.4 REASONS FOR REJECTION	55
20.5 SIGNING OF BIDS	56
20.6 AUTHORITY TO SIGN BID DOCUMENTS	56
20.7 TAX CLEARANCE CERTIFICATES	56
20.8 SUBMISSION AND SIGNING OF CERTIFICATES	56
20.9 DECLARATION OF INTEREST	56
20.10 PROVIDERS OWN CONDITIONS	57
20.11 CONSIDERATION OF ADDITIONAL INFORMATION	58
20.12 CANCELLATION OF QUOTATIONS/BIDS	58
20.13 DISCUSSIONS WITH BIDDERS	58
20.14 PREFERENTIAL PROCUREMENT	59
20.14.1 Preference point system	59
20.14.2 Procurement Targets	60
20.14.3 Broad Based Black Economic Empowerment Status Level Certificate	60
20.14.4 Exempted Micro Enterprises	60
20.14.5 Local production and content	61
20.14.6 Application of preferences	62
20.14.7 Verifying Preferences	62
20.14.8 Awarding of preferences	62
20.14.9 Evaluation of bids	63
20.14.10 Calculation of bidder score	64
20.14.11 Amendment of prices prior to lapse of validity	64
20.14.12 Extension of validity period	64
20.14.13 Cancellation and re-inviting of tenders	65

20.14.14	New and unproven products	65
20.14.15	Country of origin	65
20.14.16	Deviations from specification	65
20.14.17	Alternative Officers	65
20.14.18	Improvement of specification	66
20.14.19	Equal Offers	66
20.14.20	Additional quantities	66
20.14.21	Samples	66
20.14.22	Comparison of quoted prices	66
20.14.23	Comparative prices: bids for contracts with a duration of more than one year	67
20.14.24	Confidentiality	67
20.14.25	Subcontracting and joint ventures	67
20.14.26	Award of contract	68
20.14.27	Non Compliance	68
20.14.28	CLEARANCE OF PROVIDERS PRIOR TO THE AWARD OF A CONTRACT	69
20.14.28.1	RESTRICTED PERSONS	69

MODULE 5: CONTRACT NEGOTIATIONS, ADMINISTRATION, MANAGEMENT AND CONTRACT RELATED RISK MANAGEMENT **70**

PART 21: CONTRACTUAL COMMITMENTS **70**

21.1	CONCLUSION OF CONTRACTS	70
21.2	FORMAL CONTRACTS	70
21.3	SERVICE LEVEL AGREEMENTS	70
21.4	TIME OF CONCLUSION	70

PART 22: CONTRACT MANAGEMENT **70**

22.1	GENERAL RESPONSIBILITY	70
22.2	MANAGING AND ADMINISTRATING THE CONTRACT	71
22.3	CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER	71
22.4	CORRECTION OF INCORRECT ACCEPTANCE	71
22.5	PLACING ORDERS	71
22.6	PLACING ORDERS NEAR THE END OF THE CONTRACT PERIOD	71
22.7	CONTRACT MONITORING	71
22.8	NON-CONTRACTUAL PURCHASES	72
22.9	PAYMENTS	72
22.10	OVER/UNDER DELIVERIES	73
22.11	DISCOUNT ON INVOICES	73
22.12	INSOLVENCY, LIQUIDATION, DEATH, SEQUESTRATION OR JUDICIAL MANAGEMENT OF CONTRACTORS	

	73
22.13 TRANSFER OF CESSION OF CONTRACTS	73
22.14 TRANSFER OF CONTRACT PAYMENTS	73
22.15 CONTRACT VARIATIONS / AMENDMENTS	73
22.16 EXTENSION OF DELIVERY PERIODS	74
22.17 AMENDMENT OF CONTRACT CONDITIONS	74
22.18 AMENDMENT OF SPECIFICATIONS	74
22.19 CONTRACTUAL PRICE ADJUSTMENTS	74
22.21 UNSATISFACTORY PERFORMANCE AND CONTRACT TERMINATION	75
22.22 RESTRICTION	75
22.23 CONTRACT TERMINATION	75
22.24 CONTRACTS REPORTING QUESTIONNAIRE: NATIONAL TREASURY	76
MODULE 6: LOGISTICS MANAGEMENT	77
PART 23: LOGISTICS MANAGEMENT	77
23.1 GENERAL	77
23.2 INVENTORY MANAGEMENT	77
23.3 REQUISITION	77
23.3.2 PLACING OF ORDERS	78
23.3.3 RECEIVING GOODS	78
23.3.4 RETURNING GOODS	78
23.3.5 WAREHOUSE MANAGEMENT	78
23.3.6 MATCHING DOCUMENTS	78
23.3.7 PREPARATION FOR PAYMENT / ACCOUNTS PAYABLE	78
23.3.8 INVENTORY STOCK COUNT, VERIFICATION AND RECONCILIATION (INCLUDING ICN MANAGEMENT)	79
23.3.9 STOCK COUNT AND VERIFICATION PROCEDURES	79
23.3.10 RECONCILIATION PROCEDURES	79
23.3.11 TREATMENT OF DISCREPANCIES	79
MODULE 7: ASSET MANAGEMENT	80
PART 24: ASSET MANAGEMENT	80
24.1 RESPONSIBILITIES FOR ASSET MANAGEMENT	80
24.2 ACQUISITION POLICY	80
24.3 FUNDING OF CAPITAL PROJECTS	80

24.4 INTERNAL CONTROLS	80
MODULE 8: DISPOSAL MANAGEMENT	82
PART 25: INVENTORY DISPOSAL	82
PART 26: DISPOSAL OF IMMOVABLE ASSETS	82
26.1 PREPARATION	82
26.2 PROCESS	83
26.2.1 ADVERTISEMENT PROCESS	83
26.2.2 APPLICATION PROCESS	83
MODULE 9: RISK AND PERFORMANCE MANAGEMENT	85
PART 27: RISK MANAGEMENT	85
27.1 RESPONSIBILITY FOR RISK MANAGEMENT	85
27.2 APPLICATION OF RISK MANAGEMENT IN SCM	85
PART 28: GUARANTEES	85
28.1 National and provincial guarantees	86
28.2 Municipal guarantees	86
28.3 Guarantees, indemnities and securities by Councillors	86
PART 29: SCM PERFORMANCE REVIEW	87
29.1 ASSESSMENT/MEASUREMENT OF SUPPLY CHAIN PERFORMANCE	87
PART 30: OPTIMAL SYSTEM UTILISATION	87
PART 32: TERMINOLOGY	88
32.1 ABBREVIATIONS	88
32.2 DEFINITIONS	89

PART 1: DOCUMENT DEFINITION

1.1 ISSUING CERTIFICATE

Version	
Date	
Summary	This document is the SCM Policy applicable to the Knysna Municipality
Signature	<div>Date:</div> <div></div>
	ACCOUNTING OFFICER
	<i>As delegated in terms of the AO Finance Delegations, item [number] issued in terms of section 79 of the MFMA, dated [date]</i>
Approved by the Council	<div>Date:</div> <div></div>
Transitional arrangements	
Effective date
Next revision date

1.2 APPROACH

- 1.2.1 For ease of reference this SCM Policy is divided into Modules and Parts as set out in the contents table.
- 1.2.2 The relevant prescripts governing the specific Part is indicated in the right hand block.
- 1.2.3 It is imperative to note that this SCM Policy aims to summarise the important aspects to be considered when conducting municipal SCM and does not in any way replace other official prescripts issued in this regard nor exempt officials from full compliance with such prescripts.

1.3 APPLICATION

- 1.3.1 This SCM Policy is applicable to all Councillors, municipal officials, stakeholders, contractors, suppliers, service providers and any other party doing business with the Municipality.

1.4 MAINTENANCE

- 1.4.1 Given the changing nature of the regulatory, control and operational environment, this SCM Policy is subject to review every year, and being updated as and when required. Amendments emanating from review and updating processes will be issued under cover of a supplementing SCM Instruction.
- 1.4.2 If the Accounting Officer considers it necessary to make amendments to the SCM Policy, proposals must be submitted to council.
- 1.4.3 If proposed amendments differ from the model policy issued by National Treasury, the Accounting Officer must –
- 1.4.3.1 Ensure that proposed amendments comply with the Regulations.
- 1.4.3.2 Report any deviation from the Model Policy to the National Treasury and the relevant Provincial Treasury.
- 1.4.4 Maintenance will be performed by the SCMU in the Office of the CFO.
- 1.4.5 Other independent assurance providers, such as the National Treasury, relevant Provincial Treasury, Internal Audit, inclusive of the Audit Committee, and the Auditor-General: SA, will also be involved in the examination of the adequacy and effectiveness of this SCM Policy to ensure an effective and appropriate control environment.

1.5 IMPLEMENTATION

- 1.5.1 The Accounting Officer of Knysna Municipality must take all reasonable steps to ensure that the Municipality has and implements this SCM Policy.
- 1.5.2 It is the responsibility of management to bring the content of this SCM Policy to the attention of all parties within their area of control.
- 1.5.3 Non-compliance with this SCM Policy may result in appropriate disciplinary procedures and/or criminal actions being considered and instituted against the relevant officials and perpetrators where deemed necessary.
- 1.5.4 For clarification of any matter contained in this SCM Policy, please address queries to the SCMU in the Office of the CFO.

PART 2: LEGISLATIVE ENVIRONMENT

- 2.1 The Municipality is committed to comply with applicable legislation as it pertains to SCM.

PART 3: OVERALL OBJECTIVE

3.1 OVERALL OBJECTIVES

- 3.1.1 The Municipality's overall objective of this SCM Policy is the following:
- 3.1.1.1 To ensure the efficient, effective and uniform planning for and procurement of all services and goods, required for the proper functioning of the Municipality.
 - 3.1.1.2 Developing, supporting and promoting historically disadvantaged individuals, black economic empowerment, SMME's and preferential goals.
 - 3.1.1.3 To ensure the efficient, effective and uniform sale and letting of assets that conforms to constitutional and legislative principles.
 - 3.1.1.4 To ensure the efficient, effective and uniform management and disposal of goods and assets.
 - 3.1.1.5 To ensure good governance through its SCM processes.
 - 3.1.1.6 To prevent SCM System abuse and resultant irregular expenditure.

3.2 THE SCM POLICY

Refer to section 111& 112 of the MFMA & SCM TR 2&3

- 3.2.1 This SCM Policy shall give effect to the legislation and the overall objectives stated, through appropriate policy, principles and operational procedures.
- 3.2.2 The entire Municipality's SCM must be done in accordance with this SCM Policy.

3.3 POLICY ADOPTION AND REVIEW

Refer to section 111 of the MFMA and SCM TR 3

PART 4: PROCUREMENT PRINCIPLES

4.1 PROCUREMENT PRINCIPLES

Refer to section 112 of the MFMA and SCM TR 2

- 4.1.1 The Municipality hereby adopts the procurement principles as noted hereunder:

Transparency	The procurement process shall be open and predictable and shall afford each prospective bidder timely access to the same and accurate information
Equal treatment	All bidders and providers shall be treated equally throughout the whole procurement process and shall be given access to the same information.
Effectiveness	The Municipality shall strive for SCM system effectiveness and shall carry out its procurement processes as cost-effectively as possible while meeting the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement

	requirement.
Efficiency	The Municipality shall strive to standardise and simplify procedures where appropriate to enhance SCM system effectiveness and shall carry out its SCM processes as cost-effectively and efficiently as possible. The Municipality shall strive to build relationships with providers, shall ensure good working practices and shall encourage innovative solutions for providers
Competitiveness	The Municipality shall satisfy its requirements through competition unless there are justifiable reasons to the contrary.
Fairness	All bidders and contractors shall be dealt with fairly and without unfair discrimination. Unnecessary constraints shall not be imposed on bidders/contractors and commercial confidentiality shall be protected.
Ethics	All suppliers shall be treated equally whilst promoting certain empowerment objectives, all stakeholders shall conduct business and themselves professionally, fairly, reasonably and with integrity, all interests shall be disclosed and all breaches shall be reported.
Proportionality	The product/service requirements stipulated in the specification/terms of reference and the qualification requirements attached thereto must be appropriate, necessary and in reasonable proportion to the product/service being procured.
Uniform application	The Municipality shall ensure the application of a SCM Policy and a streamlined SCM process and documentation that is uniformly applied by the Municipality, all things being equal. The procurement process shall be simple and adaptable to advances in modern technology to ensure efficiency and effectiveness.
Accountability	Each practitioner shall be accountable for their decisions and actions relative to their SCM responsibilities, the SCM process as well as in the implementation of concluded contracts. The Municipality shall have a system, when warranted by circumstances, to investigate and hold liable both employees and relevant private parties dealing with the Municipality, for their decisions and actions relative to their procurement responsibilities, the procurement process as well as in the implementation of concluded contracts.
Openness	The Municipality shall ensure a procurement process and a subsequent contract award and implementation according to the predetermined specification in line with the best practice procurement principles.
Value for money	The Municipality shall achieve value for money through the optimum combination of whole life cost and quality (or fitness for purpose) to meet the customer's requirements while maximising efficiency, effectiveness and flexibility.
	The Municipality shall apply the following TCO philosophy to the procurement of goods and services in achieving value for money.
	TCO = Price + Administration (maint. and process) + Quality/Usage + Supplier Value-add.
Commitment to safety, health and the environment	The Municipality is committed to the health and safety of its personnel and its providers in the application of its SCM process.
	The Municipality is committed to the preservation of the environment, minimising pollution and the improved use of natural resources in the application of its SCM processes and more specifically in the design of the specifications/terms of reference for each requirement.
	The Municipality shall apply preventative measures in situations of scientific uncertainty where

	a course of action could harm the environment.
Black Economic Empowerment	The Municipality is committed to the promotion of Black Economic Empowerment by maintaining a principle of <i>[number]</i> % of all procurement to black owned businesses.
Preferential Procurement Policy	The Municipality shall implement the preferential system and its preferential procurement policy (once adopted) in the allocation of contracts for categories of services providers such as previously disadvantaged individuals, women and small business.
Local Sourcing	The Municipality is committed to give preference to locally (South African) sourced products and services whenever possible.
Resolution of Bid Award Disagreements	Should the Bid Adjudication Committee and or the AO not agree with any recommendations made by the Bid Evaluation Committee, only the AO may make the final award within 10 working days, subject to the provisions of section 114 of the MFMA.

MODULE 2: INSTITUTIONALISATION

PART 5: SCM SYSTEM

5.1 SCM SYSTEM

Refer to section 115 of the MFMA and SCM TR 9

5.1.1 The AO shall develop and implement an effective and efficient SCM system for:

- The acquisition of goods and services
- The disposal and letting of assets and goods no longer required.

5.1.2 The system shall be fair, equitable, transparent, competitive and cost-effective.

5.1.3 The system shall be consistent with the PPPFA and the B-BBEE Act.

5.1.4 The system shall provide for at least the following:

- Demand management.
- Acquisition management.
- Logistics management.
- Disposal management.
- Risk management.
- Regular assessment of supply chain performance.

PART 6: PLANNING

6.1 PLANNING

Refer to MSA, chapter 5, MFMA, chapter 4 and SCM TR 3

6.1.1 The SCM Policy of the Municipality must complement its IDP, Budget and SDBIP

PART 7: SCM FUNCTION, UNIT AND CAPACITY BUILDING

7.1 SCM FUNCTION, UNIT AND CAPACITY BUILDING

Refer to section 119 of the MFMA and SCM TR 7 & 8

7.1.1 The AO must establish a separate SCMU which operates under the direct supervision of the CFO to implement its SCM system.

7.1.2 The AO shall ensure that officials implementing the SCM system are trained and deployed in line with the National Treasury prescripts and guidelines.

7.1.3 National Treasury and/or Provincial Treasury may assist the municipality in training the officials.

PART 8: AUTHORITY TO EXECUTE

8.1 DELEGATION OF AUTHORITY

Refer to section 59 of the MSA, sections 79 and 82 of the MFMA and SCM TR 4 & 5

- 8.1.1 All SCM activities shall be executed in accordance with pre-established levels of authority through delegations and sub-delegations to ensure control and division of responsibility.
- 8.1.2 Delegations shall be in writing to a specific individual or the holder of a post and shall be in line with the Delegation Framework.
- 8.1.3 A delegation shall be subject to such limitations and conditions as the Council, AO and/or CFO may impose in a specific case.
- 8.1.4 The specific provisions and limitations as prescribed in SCM TR 4 and 5 must at all times be adhered to.
- 8.1.5 The AO and/or CFO is entitled to confirm, vary or revoke any decision taken in consequence of a delegation, provided that no such variation or revocation of a decision should detract from any rights that may have accrued as a result of the decision.

8.2 RESPONSIBILITY OF OFFICIALS

Refer to sections 77, 112(1)(k) and 117 of the MFMA and SCM TR 44&46

- 8.2.1 Each official shall carry out its activities within its area of responsibility.
- 8.2.2 Each official shall take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in its area of responsibility.

8.3 PARTICIPATION OF ADVISORS

Refer to SCM TR 5, 27 & 29

- 8.3.1 Specialist advisors may assist in the execution of the SCM function.
- 8.3.2 The services must be obtained through the SCM System.
- 8.3.3 No advisor may form part of the final decision-making process regarding bids.

PART 9: ROLES AND RESPONSIBILITIES

9.1 SCM FOCUS

Refer to section 117 of the MFMA and SCM TR 6

- 9.1.1 The roles and responsibilities of all the structures hereunder are to be defined only from the perspective of SCM and as prescribed.

9.2 MUNICIPAL COUNCIL

Refer to section 117 of the MFMA and SCM TR 6

- 9.2.1 Without interfering in the actual procurement processes, to ensure that the Municipality has and maintains:

- An appropriate SCM system, which is fair, equitable, transparent, competitive and cost-effective.
 - Effective, efficient and transparent systems of financial and risk management and internal control.
- 9.2.2 To act with fidelity, honesty, integrity and in the best interest of the Municipality in managing its financial affairs, including the avoidance of conflict of interest and provision of safeguards against favouritism, improper practices and opportunities for fraud, theft and corruption.
- 9.2.3 To prevent any prejudice to the financial interests of the Municipality or the State.
- 9.2.4 To take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses as a result of criminal conduct and expenditure not complying with the operational policies of the Municipality.
- 9.2.5 To ensure that the expenditure of the Municipality related to SCM is in accordance with the approved budget.
- 9.2.6 To delegate in writing any of the powers, functions or duties entrusted, delegated, conferred or imposed on it by the Constitution, MSA and the MFMA, to the Accounting Officer.
- 9.2.7 To approve the allocation of funds to strategic goals of the Municipality.
- 9.2.8 To oversee the implementation of the SCM Policy.
- 9.2.9 To maintain oversight over the implementation of the SCM Policies and Principles. To this end, in addition to the reports referred to in regulation 6(2) and 6(3) of the SCM TR, and in addition to the deviations reports that are already being reported on, the AO must also submit monthly reports to the Mayor for tabling in Council containing details of all tenders awarded during the previous month including but not limited to the following in respect of each tender:
- (i) The decisions of the BSC and the reasons therefore;
 - (ii) The recommendations of the BEC and the reasons therefore;
 - (iii) The minutes of the BAC reflecting the bid specifications, the decisions/recommendation of the BAC and, if such decisions/recommendations differ from the recommendations of the BEC, the reasons for so differing and the outcome of any resolution of the difference of opinion between the BEC and BAC;
 - (iv) Details of any subsequent decision of the AO on any recommendations and, where applicable, the reasons for the AO's decision being different from the recommendations of the BEC and/or the BAC; and
 - (v) Information about any developments during that month in respect of any dispute, complaint, objection or court action submitted in relation to any tender award. If any of the above information becomes available only in subsequent months in relation to such awards, such information must likewise be reported to the Mayor in the month following that in which the information became known to the AO. Any dispute, complaint, objection or court action in relation to any decisions or actions taken by the Municipality in respect of other aspects of the operation of the SCM system should likewise be reported on.

9.3 ACCOUNTING OFFICER

Refer to sections 60, 79 & 115 of the MFMA and SCM TR 3, 5, 6, 29, 48 & 50

- 9.3.1 For the purpose of oversight over the implementation of the SCM Policy the Accounting Officer must –
- Within 30 days of the end of each financial year, submit a report on the implementation of the SCM Policy to the council.
 - Submit a report to Council whenever there are serious and material problems in the implementation of the SCM Policy.
- 9.3.2 The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the SCM Policy to the Mayor of the Municipality.
- 9.3.3 To advise on the establishment of strategies in compliance with the legislation.
- 9.3.4 To act as a sounding board for the Council on the translation of the SCM strategy into business objectives and operational plans.
- 9.3.5 To grant final approval of certain bids not delegated to any other official or structure and bids subject to certain conditions.
- 9.3.6 To ratify or reject, after due consideration of the reasons for deviation in awarding a bid not recommended by the Bid Evaluation Committee, the decision of the Bid Adjudication Committee.
- 9.3.7 To refer the decision of the Adjudication Committee back to that committee to reconsider, if the decision of the Bid Adjudication Committee was rejected.
- 9.3.8 To delegate or sub-delegate in writing any of the powers, functions or duties entrusted, delegated, conferred or imposed on it by the Constitution, MSA and the MFMA, to the CFO.
- 9.3.9 To manage SCM processes in the event of uncertainty or dispute between different award structures.

9.4 CHIEF FINANCIAL OFFICER

Refer to sections 80, 81 & 82 of the MFMA and SCM TR 7

- 9.4.1 To advise on the establishment of strategies in compliance with the legislation.
- 9.4.2 To act as a sounding board for the AO on the translation of the SCM strategy into business objectives and operational plans.
- 9.4.3 To provide guidance on the establishment of proposals, policies and the operational budget.
- 9.4.4 To provide guidance and options in terms of operational expenditure.
- 9.4.5 To establish and maintain the municipal SCM Policy.
- 9.4.6 To establish and maintain the municipal SCMU.
- 9.4.7 To take all reasonable steps to ensure that proper mechanisms and separation of duties in the SCMU and SCM Policy are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.
- 9.4.8 To sub-delegate in writing any of the powers, functions or duties entrusted, delegated, conferred or imposed on it by the Constitution, MSA and the MFMA, to an official in the Office of the CFO.

9.5 LINE FUNCTION/USERS

Refer to section 79 of the MFMA and SCM TR 2, 12, 26, 38, 44, 45, 46 & 47

- 9.5.1 To link the operational budget with SCM planning.
- 9.5.2 To manage SCM activities in so far as it impacts on the budget holder's expenditure items.
- 9.5.3 To establish and maintain user and/or supplier specifications and requirements in relation to SCM within its area of responsibility.
- 9.5.4 To establish and maintain contract management and project management activities in relation to SCM within its area of responsibility.
- 9.5.5 To take all reasonable steps to ensure that proper mechanisms and separation of duties between the SCMU and line function unit exists to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.
- 9.5.6 To sub-delegate in writing any of the powers, functions or duties entrusted, delegated, conferred or imposed on it by the Constitution, MSA and the MFMA, to an official in the relevant line-function unit.

9.6 SCMU

Refer to section 79 of the MFMA and SCM TR 7

- 9.6.1 To develop and implement strategies to ensure optimisation of the supply chain management unit's service delivery, resource utilisation and client satisfaction.
- 9.6.2 Develop or assist in developing the necessary policies and procedures such as petty cash policy, asset management policy, disposal policy, etc. or other procedures required to enhanced the implementation of supply chain management
- 9.6.3 Provide strategic direction and operational planning for the SCMU.
- 9.6.4 Manage provisioning, procurement, logistics, risk and performance management.
- 9.6.5 Co-ordinate and oversee the functions of demand, acquisitions, logistics, risks and performance management.
- 9.6.6 Responsible for SCM including evaluation and adjudication of bids as delegated, research and adherence to SCM Policy, compilation of financial and other reports as required, auditing of supply chain allocation, ensure proper statistical administration and cost- and management accounting.
- 9.6.7 Liaise with external auditors and attend to audit queries and address them accordingly.
- 9.6.8 Advise the bid committees on procurement processes and prescripts.
- 9.6.9 Approves and sign letters of acceptance to prospective bidders.
- 9.6.10 Develop a delegation schedule for SCMU.
- 9.6.11 Develop a skills-program and identify training needs for all SCM practitioners and ensure that each official is trained accordingly.
- 9.6.12 Facilitate training needs for all SCM practitioners and ensure that each official is trained accordingly.

- 9.6.13 SCMU operates under the direct supervision of the CFO or an official to whom this duty has been delegated in terms of section 82 of the Act.

PART 10: SCM GOVERNANCE

10.1 ETHICS

Refer to section 118 of the MFMA and SCM TR 46

- 10.1.1 The Municipality commits itself to a policy of fair dealing and integrity in conducting its SCM activities.
- 10.1.2 All SCM practitioners and role players in the SCM Policy are required to promote mutual trust and respect and an environment where business can be conducted in a fair and reasonable manner and with integrity.
- 10.1.3 All SCM practitioners should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation and regulations.
- 10.1.4 The Municipality's Code of Conduct shall incorporate the Code of Conduct for SCM practitioners as contained in National Treasury's Practice Note Number SCM 4 of 2003 and shall direct all SCM practitioners and role players in their conduct within and with the Municipality. Non-compliance shall be subject to the appropriate disciplinary action.
- 10.1.5 National Treasury's Code of conduct for SCM practitioners and other role-players involved in SCM must be taken into account.
- 10.1.6 The AO shall take all reasonable steps to prevent abuse of the SCM Policy.
- 10.1.7 The Municipality may adopt the National Treasury's Code of Conduct for SCM. When adopted such code of conduct becomes binding on all officials and other role players involved in the implementation of the SCM Policy.
- 10.1.8 The AO shall take all reasonable steps to prevent abuse of the SCM Policy.
- 10.1.9 Anyone who becomes aware of a breach of or failure to comply with any aspect of the SCM Policy, must immediately report the breach or failure to the AO or his/her delegated authority in writing and in confidence.
- 10.1.10 All allegations against a practitioner or any other role player, of corruption, improper conduct or compliance failure with the SCM Policy shall be investigated by the AO or his/her delegated authority who will, when justified:
 - Take steps against such official or other role player and inform the relevant Treasury of such steps.
 - Report any conduct that may constitute an offence to the SAPS.

10.2 DECLARATION OF INTEREST

Refer to sections 112 (1)(j), 117 & 118 of the MFMA and SCM TR 44, 45, 46 & 47

- 10.2.1 If a SCM practitioner or other role player, or close family member, partner or associate of such practitioner or other role player, has any private or business interest in any contract to be awarded, that practitioner or other role player must:
- 10.2.2 Disclose that interest.
- 10.2.3 Withdraw from participating in any manner whatsoever in the process relating to the contract.
- 10.2.4 A SCM practitioner must recognize and disclose any conflict of interest that may arise.

10.3 EQUAL TREATMENT

- 10.3.1 All SCM practitioners and other role players must treat all suppliers and potential suppliers equitably.

10.4 ACCOUNTABILITY

- 10.4.1 A SCM practitioner and other role players must be scrupulous in their use of public property

10.5 OPENNESS

- 10.5.1 Practitioners should give reasons for their decisions and actions, subject to the provisions of PAIA.

10.6 CONFIDENTIALITY

- 10.6.1 Any information that is the property of the Municipality or its suppliers/service providers should be protected at all times.
- 10.6.2 Information regarding any bid/contract/bidder/contractor may only be revealed if such an action will not infringe on the relevant bidder's/contractors personal rights as per the provision of PAIA.

10.7 INDEPENDENCE

- 10.7.1 All SCM practitioners and role players may not use their position for private gain or to improperly benefit another person.
- 10.7.2 If a SCM practitioner or other role player's family member, partner or associate of such official or role player, has any private or business interest in any bid to be submitted or to be adjudicated, such interest must be disclosed and recorded and the party with the

interest must withdraw from participating in the evaluation process relating to the bid if there is a conflict of interest.

10.8 GIFTS AND HOSPITALITY

Refer to SCM TR 47

- 10.8.1 SCM practitioners and role players must ensure that no-one compromise the credibility or integrity of the SCM system through the acceptance of gifts or hospitality or any other act.
- 10.8.2 The Municipality shall maintain a gift register in the Office of the AO.
- 10.8.3 Declarations in terms of this by Accounting Officer must be made to the Mayor of the Municipality who must ensure that such declarations are recorded in the register.

10.9 FRAUD AND CORRUPTION

Refer to SCM TR 38

- 10.9.1 The provisions of the Prevention and Combating of Corrupt Activities Act, 2004 shall be adhered to.
- 10.9.2 The SCMU must ensure that all officials, clients and other stakeholders (including service providers) are made aware of the implications of the Prevention and Combating of Corrupt Activities Act.
- 10.9.3 Fraud prevention and anti-corruption plans shall be instituted.
- 10.9.4 A SCM practitioner or other role player must assist the AO or his/her delegated authority in combating corruption and fraud in the SCM Policy.
- 10.9.5 The AO or his/her delegated authority must reject a proposal for adjudication if he/she determines that the supplier/service provider recommended for adjudication, has engaged in corrupt or fraudulent activities in competing for the contract in question.

10.10 COMBATIVE PRACTICES

Refer to section 112 of the MFMA and SCM TR 38

- 10.10.1 The use of combative practices is not allowed.

10.11 INTERNAL ABUSE OF THE PPPFA

Refer to section 112(1)(n) of the MFMA and SCM TR 38

- 10.11.1 The AO or his/her delegated authority shall ensure that the SCM Policy is not abused for any purpose, neither for the benefit of the Municipality nor for the benefit of any potential provider/contractor or individual.
- 10.11.2 All conducts, dealings and actions are to be *bona fide*.
- 10.11.3 Any employee suspected of acting contrary to this policy, will be dealt with in terms of the disciplinary code of the Municipality.

10.12 EXTERNAL ABUSE OF PPPFA

10.12.1 The Municipality shall vigorously pursue all legal remedies available in the event that the SCM Policy is abused, particularly through for example, but not limited to the following ways:

- That a provider or contractor is suspected of contravening the PPPFA.
- Has promised, offered or given a bribe during the bidding process and/or after conclusion of the contract.
- Has acted in a fraudulent manner or in bad faith or in any other improper manner during the bidding process or after conclusion of the contract.
- That an agreement was entered into with the contractor on the strength of information furnished by him, and it became apparent after conclusion of such agreement that the information provided was incorrect.

10.12.2 To protect both parties to an agreement, potential providers, contractors and municipal officials must be made aware of the implications of any contraventions via the special conditions of contract and the applicable paragraphs in the GCC or CIDBA contract, in the case of construction or infrastructure procurement.

10.13 FRONTING

PPPFA Regulations, 2011

10.13.1 The Municipality shall ensure that, where possible, fronting is identified before a contract is awarded.

10.13.2 Where, after award of a contract it becomes evident that the award made to the organisation based on incorrect information constituting fronting, the appropriate action is to be taken in accordance with all legal remedies available as well as the provisions of the PPPFA are adhered to.

10.14 SCM ABUSE

Refer to SCM TR 38, 49 and 50

10.14.1 The Municipality must establish a mechanism to receive and consider complaints regarding alleged non-compliance with the prescribed norms and standards.

10.14.2 To make recommendations for remedial actions to be taken if non-compliance of any norms and standards is established, including recommendations of criminal steps to be taken in the case of corruption, fraud or other criminal offences.

10.14.3 The AO must reject the bid of any bidder if that bidder or any of its directors has been convicted for fraud or corruption during the past 5 years.

10.15 DISPUTES, COMPLAINTS, ENQUIRIES AND OBJECTIONS MECHANISM

Refer SCM TR 21(e), 49 & 50

- 10.15.1 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.
- 10.15.2 The AO must appoint an independent and impartial person, not directly involved in the SCM processes:
- To assist in the resolution of disputes between the Municipality and other persons regarding –
 - (i) any decisions or actions taken in the implementation of the supply chain management system;
or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (iii) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- 10.15.3 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.
- 10.15.4 The person appointed must –
- strive to resolve promptly all disputes, objections, complaints or queries received; and
 - submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.
- 10.15.5 A dispute, objection, complaint or query may be referred to the relevant Provincial Treasury if –
- the dispute, objection, complaint or query is not resolved within 60 days; or
 - no response is forthcoming within 60 days.
- 10.15.6 The Provincial Treasury may refer the query to the National Treasury for resolution.
- 10.15.7 This policy must not be read as affecting a person's rights to approach a court at any time.

10.16 APPEALS

Refer to section 62 of MSA

- 10.16.1 A person whose rights are affected by a decision taken to award a tender by a municipality in terms of a power or duty delegated or sub-delegated by a delegating authority may appeal against that decision by giving written notice of the appeal and reasons to the Accounting Officer within 21 days of the date of the notification of the decision.
- 10.16.2 When the appeal is against a decision taken by a staff member or committee other than the Accounting Officer, the Accounting Officer must consider the appeal or refer it to the appeal authority when appropriate.
- 10.16.3 Suppliers must provide details of the reasons for their appeal including any non-

compliance with this Policy, the MFMA and related legislation. The Accounting Officer shall provide written acknowledgement of the receipt of appeals to the appellant.

10.16.4 The Accounting Officer must promptly submit the appeal to the appropriate appeal authority.

10.16.5 The Accounting Officer will decide if an appeal constitutes sufficient grounds for delay of procurement from the approved supplier, and if a delay is practical. If the Accounting Officer determines there are grounds for delay, the approved supplier will be advised in writing of the reasons for the delay.

10.16.6 If the appeal is based on a technically complex matter, the Accounting Officer may engage an impartial external advisor, provided that their engagement is compliant with this policy and sufficient budgetary provision exists. The Accounting Officer is not bound by any opinion provided.

10.16.7 The appeal authority must consider the appeal, and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

10.16.8 An appeal authority must commence with an appeal within six weeks and decide the appeal within a reasonable period.

10.16.9 When a ruling on an appeal has been made the Accounting Officer will advise the appellant in writing of the outcome.

10.16.10 This policy must not be read as affecting a person's rights to approach a court at any time.

10.17 COMPLIANCE

Refer to SCM TR 9

10.17.1 The SCM Policy must describe in sufficient detail -:

10.17.2 The Supply Chain Management System that is to be implemented by the Municipality.

10.17.3 Effective systems for:

- Demand management
- Acquisition management
- Logistics management
- Disposal management
- Risk management
- Performance Management

10.18 ACCESS TO INFORMATION

Refer to section 32 of PAIA and SCM TR 11(3)

10.18.1 Everyone has the right of access to -:

- Any information held by the state;

- Any information that is held by another person and that is required for the exercise of any rights.

10.18.2 The objectives of this are to:-

- Give effect to the constitutional right of access to any information as stated above;
- Set out justifiable limitations on the right of access to information aimed at protecting people's privacy, confidential commercial information and ensuring effective, efficient and good governance;
- Balance the right of access to information with all the other rights in the constitution;
- Promote a culture of human rights and social justice;
- Establish mechanisms and procedures to enable persons to obtain access to records as swiftly, inexpensively and effortlessly as is reasonably possible;
- Promote transparency, accountability and effective governance;
- Empower and educate everyone to:
 - Understand their rights in terms of the Act;
 - Understand the functions and operation of public bodies; and
 - Effectively scrutinise and participate in decision-making by public bodies that affect their rights.

10.18.3 Therefore, it permits aggrieved bidders to challenge procurement decisions by allowing them access to prescribed information they might require when their rights have been infringed.

PART 11: COMMITTEE SYSTEM

11.1 COMMITTEE SYSTEM

MFMA s 117 and SCM TR 26-29

11.1.1 A committee system for competitive bids is hereby established, consisting of the following committees for each Procurement or cluster of procurements with a value exceeding R200 000:

- A bid specification committee;
- A bid evaluation committee; and
- A bid adjudication committee.

11.1.2 The AO or delegated authority appoints the members of each committee, taking into account section 117 of the Act.

11.1.3 A neutral or independent observer may attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

11.1.4 The committee system must be consistent with –

- Parts 12.2, 12.3 and 12.4 of this SCM Policy; and
- Any other applicable legislation.

11.1.5 The AO or delegated authority may opt to apply the committee system to formal written price quotations.

11.2 BID SPECIFICATION COMMITTEE

11.2.1 ROLES AND RESPONSIBILITIES OF MEMBERS

Refer to sections 77 & 78 of the MFMA and SCM TR 27

- 11.2.1.1 To compile specifications for bids at the Municipality in an unbiased manner to allow all potential bidders to offer their goods and services.
- 11.2.1.2 To identify and include the relevant evaluation criteria in the specifications as bids may only be evaluated and scored according to the criteria stipulated in the bid documentation.
- 11.2.1.3 To forward the final specification to the SCMU to facilitate final approval of the specification prior to the advertisement of bids.
- 11.2.1.4 To consider and mitigate risks emanating from bids.
- 11.2.1.5 To consider the contractual arrangements relevant to each bid.
- 11.2.1.6 A member of the specification committee can also be a member of either the BEC or BAC (but not both committees) that considers any of the bids for the same goods or services.

11.2.2 ESTABLISHMENT OF BID SPECIFICATIONS COMMITTEES

- 11.2.2.1 The AO or delegated authority shall establish one or more Bid Specification Committees on an ad hoc basis or for a specific commodity or group of commodities, as necessary.
- 11.2.2.2 The AO or delegated authority may utilise the services of any other institution's Committee if and when required.

11.2.3 COMPOSITION OF BID SPECIFICATIONS COMMITTEES

- 11.2.3.1 The Bid Specification Committee will compose of a Senior Manager, manager or senior official of the user department, an official of a division requiring the goods or services [user], and a member of the SCM Unit.
- 11.2.3.2 An external consultant may be appointed if deemed necessary, provided that the task is executed under the direction of the line function Senior Manager concerned.
- 11.2.3.3 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

11.3 BID EVALUATION COMMITTEE

11.3.1 ROLES AND RESPONSIBILITIES OF MEMBERS

Refer to sections 77 & 78 of the MFMA and SCM TR 28

- 11.3.1.1 To evaluate all bids received from above the quotation threshold (*Currently R200 000*).
- 11.3.1.2 To evaluate offers received within the quotation threshold where the requirement is technically complex and/or there are risks involved that warrant this process.

- 11.3.1.3 To evaluate each bidder's ability to execute the contract.
- 11.3.1.4 To ensure that evaluation is done in accordance with the criteria specified in the bid documentation.
- 11.3.1.5 To submit a report and recommendations regarding the award to the Bid Adjudication Committee for consideration and/or approval.
- 11.3.1.6 To present their reports to the Bid Adjudication Committee to clarify uncertainties. Such members shall not have any voting power on the Bid Adjudication Committee.
- 11.3.1.7 To check in respect of each bidder whether taxation matters are cleared by SARS
- 11.3.1.8 To check in respect of the recommended bidder whether Municipal Rates and taxes and municipal service charges are not in arrears.

11.3.2 ESTABLISHMENT OF BID EVALUATION COMMITTEES

SCM TR 29, 44 & 46

- 11.3.2.1 The AO must establish the Bid Evaluation Committees which will be composed of at least the following members:
 Chairperson
 Responsible official of the department concerned
 SCM Official
 Secretary (official from the SCM unit with no voting rights), as necessary per requirement and may utilize the services of any other institution's Committee if and when required.
- 11.3.2.2 The quorum for each meeting of the evaluation committee is 50% plus 1. The chairperson needs to be present to chair the meeting as well as the responsible official of the department concerned. Two standing members. One member from the SCM Unit and one member of the directorate as minimum.
- 11.3.2.3 Should a member declare a conflict of interest at any stage, the member may not be part of the Bid Evaluation Committee and must be replaced by a member of suitable expertise.
- 11.3.2.4 An official may not be a member of the Bid Evaluation Committee and the Bid Adjudication Committee for the same bid.
- 11.3.2.5 No person other than a member of the Bid Evaluation Committee or the official rendering the secretariat function is allowed to attend the meeting, unless formally co-opted as provided for.
- 11.3.2.6 No person other than a member of the Bid Evaluation Committee or the official rendering the secretariat function is allowed to attend the meeting.

11.4 BID ADJUDICATION COMMITTEE

11.4.1 ROLES AND RESPONSIBILITIES

Refer to sections 77 & 78 of the MFMA and SCM TR 29

- 11.4.1.1 To consider the report and recommendations made by the Bid Evaluation Committee or the

delegated official(s) who performed the evaluation.

11.4.1.2 To assess the process followed in making the recommendation to ensure that the SCM Policy have been complied with in full.

11.4.1.3 To obtain clarity from members of the Bid Evaluation Committee if required.

11.4.1.4 To make the final award in bids less than R 10 m and to comment on the recommendations made and forward it together with the report to the AO for bids in excess of R 10m

11.4.1.5 To comment on the recommendations made and forward it together with the report to the AO or delegated authority, who shall finally award the contract.

11.4.1.6 To refer the recommendation back to the Bid Evaluation Committee if they do not agree with the recommendation in order to endeavour to sort out the differences if they are process related.

11.4.1.7 If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the bid adjudication committee must prior to awarding the bid –

- Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
- Notify the Accounting Officer.

11.4.1.8 Should the Bid Adjudication Committee and/or the AO not agree with the recommendations made by the Bid Evaluation Committee, only the AO may make the final award, within 10 working days, subject to the provisions of section 114 of the MFMA.

11.4.1.9 Meetings of the BAC may be open to the public at the discretion of the Chairperson.

11.4.1.10 To extend tenders within the prescribed frameworks.

11.4.2 ESTABLISHMENT OF BID ADJUDICATION COMMITTEE

SCM TR 29, 44 & 46

11.4.2.1 The AO shall establish the Bid Adjudication Committee to perform the award/adjudication of bids.

11.4.2.2 The AO must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

11.4.2.3 The Bid Adjudication Committee process must provide for final approval by:

- The Committee for awards up to R 10 million.
- The AO for awards exceeding a value of R 10 million.

11.4.2.4 The adjudication for a specific quotation/bid cannot be an official who:

- Performed the evaluation or made a recommendation in respect of that quotation/bid.
- Served on the Bid Evaluation Committee, which processed that quotation/bid.

11.4.2.5 No advisor may form part of the final decision-making process regarding the award of bids.

11.4.2.6 The AO may utilise the services of any other institution's Bid Adjudication Committee if and when required.

11.4.2.7 The person acting on behalf of a member in a specific component, may replace such member when the latter is not available.

11.4.3 COMPOSITION OF BID ADJUDICATION COMMITTEE

11.4.3.1 The Bid Adjudication Committee shall be composed of the following members:

➤ Standing Members:

- (i) The CFO or, if the CFO is not available, the person acting on behalf of the CFO, designated by the AO;
- (ii) At least one senior SCM practitioner who is an official of the Municipality;
- (iii) Director: Corporate Services;
- (iv) Manager: Water & Sewer;
- (v) Director: Planning & Development; and/or
- (vi) Director: Community Services.

➤ Other Members:

- (i) Any technical experts in the relevant field, when deemed necessary by the chairperson;
- (ii) Members from the Audit Committee; and
- (iii) A neutral or independent observer to ensure fairness and promoting transparency, as contemplated in SCM TR 23(1) (c).

11.4.3.2 The quorum for each meeting of the BAC is 4 standing members.

➤ When possible, the chairperson of the Bid Adjudication Committee should be the CFO.

11.5 INFRASTRUCTURE DEVELOPMENT MANAGEMENT SYSTEM COMMITTEES (IDMS)

Refer to CIDBA

11.5.1 For infrastructure and construction related procurement the same SCM Bid Committee System will apply subject to each committee being provided with a relevant technical and related engineering expertise for each specific required commodity.

11.5.2 The committee will be chaired by a chairperson with relevant technical and related engineering expertise.

11.5.3 The provisions of the CIDBA will be adhered to, complementary to the SCM Policy.

11.5.4 Where relevant the EPWP principles and objectives will also be observed.

11.5.5 On 1 July 2017 the National Treasury Standard for Infrastructure Procurement and Delivery Management must be implemented. This policy will be amended accordingly during the 2016 financial year to include the requirements of the standard.

11.6 DISPOSAL COMMITTEE

Refer to sections 14 and 90 of the MFMA, the MATR, 2008

11.6.1 Inventory disposals as well as immovable and capital asset disposals.

11.7 SECRETARIAT SERVICE

Refer to SCM TR 26

11.7.1 The Secretariat shall:

- In conjunction with the chairperson, compile an agenda and determine dates of meetings.
- Give appropriate notice of proposed meetings to committee members.
- Process and distribute all submissions/reports together with the agenda to committee members on an agreed date before the actual meeting takes place.
- The secretary to all Committees shall be responsible for the safekeeping of the tapes on which the deliberations of the Committee have been recorded, as well as copies of minutes. The Secretariat will forward the minutes and applicable attachments to the members of the relevant Committees.
- The minutes of all Committee meetings will be signed by the Chairperson to determine the validity of the proceedings.
- Adhere strictly to the stipulations of the National Archives of South Africa Act, 1996 (Act No 43 of 1996) and accompanying directives as well as the documentation and recording provisions of the Municipality.
- Be responsible for all the administrative tasks for the committee.

11.8 RESOLUTION OF COMMITTEE DISAGREEMENTS

Refer to MFMA section 114 and SCM TR 36

- 11.8.1 Where the Bid Adjudication Committee disagrees with the recommendation of the relevant Bid Evaluation Committee on the adjudication of a bid, it must refer the request together with its recommendations to the Bid Evaluation Committee for re-consideration.
- 11.8.2 Where the Bid Adjudication Committee still disagrees with the recommendation of the relevant Bid Evaluation Committee the commentary and reasons of the Bid Adjudication Committee is to be submitted to the AO for a final decision.
- 11.8.3 The AO may obtain advice as deemed necessary, including advice from outside the Municipality.
- 11.8.4 Should the AO decide to award a bid to a bidder other than the one recommended by the Bid Adjudication Committee the Auditor-General, the National Treasury and the Provincial Treasury must be informed in writing within 10 days of the reasons for such deviation.

PART 12: NEEDS ANALYSIS

12.1 SYSTEM OF DEMAND MANAGEMENT

Refer to SCM TR9(b)

- 12.1.1 The AO must establish and implement an appropriate system of demand management in order to ensure that the resources required to support its operational commitments and strategic goals outlined in the IDP are available.

12.2 SDBIP

Refer to SCM TR 42 and Chapter 6 of the Municipal Systems Act, 2000

- 12.2.1 The SDBIP shall be produced per the MTEF cycle with a review every year during the planning and budgetary period.
- 12.2.2 The SDBIP is to set out the Council's strategic policy priorities and plans for the next three years. This document serves as a blueprint for what the Municipality plans to do for the remaining three-year period.
- 12.2.3 Should the Municipality produce this three-year plan for the current cycle, the SCMU must be involved to add value from a SCM perspective.

12.3 ANNUAL PERFORMANCE PLANNING PROCESS

- 12.3.1 The SCM unit shall participate in the annual performance planning process.
- 12.3.2 Each user division shall perform an annual needs analysis of strategic objectives and programmes involving SCM, Human Resource Management and Finance to determine strategic sourcing that will ultimately provide best value for money.

12.4 ASSESSMENT OF CURRENT AND FUTURE NEEDS

Refer to SCM TR 10 & 39 and NT MFMA circular 62 of 2012

- 12.4.1 The annual performance plan must be analysed in terms of goods, services and works required over the short and medium term.
- 12.4.2 The frequency of the needs and the critical delivery dates must be established to support the SCM process and the budgetary process.

12.5 ASSESSMENT OF AVAILABLE ASSETS

- 12.5.1 Determine details of available stock, goods in transit, redundant and obsolete assets and assets to be renewed.

12.6 ANALYSIS OF PAST EXPENDITURE

- 12.6.1 Analyse who were providers of goods and services and their locations.

- 12.6.2 Determine the prices paid.
- 12.6.3 Confirm the availability of relevant specifications/terms of reference.

12.7 ANNUAL OPERATIONAL PLAN

- 12.7.1 The SCMU must participate in the operational planning process.
- 12.7.2 The first year of the strategic plan is known as the operational plan. It must provide a sufficiently detailed quantification of outputs and resources, together with service delivery indicators. The operational plan must not be a wish list, but shall be flexible and adjustable while remaining within the MTEF allocation.

12.8 AD HOC NEEDS ANALYSIS

- 12.8.1 Over and above the planned needs analysis, an *ad hoc* needs analysis has to be done for unplanned activities during the financial year.
- 12.8.2 The relevant line function will perform a need analysis on a case-by-case basis as and when required in order to determine a sourcing strategy for the appropriate product or service that will ultimately provide best value for money.

PART 13: FUNDING

13.1 FUNDING PLAN FOR PROCUREMENT

NT MFMA Circular 62 of 2012

- 13.1.1 The line function will submit project plans aligned with the APP and SDBIP in a prescribed format.
- 13.1.2 The SCMU shall use the above to compile a SCM operational and funding plan for the next financial year.

PART 14: SPECIFICATIONS / TERMS OF REFERENCE

14.1 SCOPING THROUGH A REQUEST FOR INFORMATION (RFI)

- 14.1.1 If sufficient information is not readily available with which to draft a terms of reference/specifications, a request for information (RFI) process may be followed in order to obtain more market information.
- 14.1.2 The information collected in this fashion may not be used to lead to sourcing from one supplier only nor may it be used to write the ultimate specification/terms of reference around just one specific product.
- 14.1.3 It must be clearly stated in the RFI that the result of this process will not lead to an award and does not constitute a commitment.
- 14.1.4 When scoping for information it must be clearly stipulated how the suppliers whose information is substantially utilized will be treated, e.g.:

- The supplier will be compensated for the cost of the proposal development; or
- The supplier will be the project manager to manage the project once commissioned; or
- The supplier will have the right of first refusal.

14.2 COMPILATION OF THE SPECIFICATION OR TERMS OF REFERENCE

- 14.2.1 The end user must draw up clear specifications and terms of reference.
- 14.2.2 Include clear evaluation criteria prior to the invitation of the quotation/bid as offers may only be evaluated according to the criteria stipulated in the quotation/bid document.

PART 15: DATABASE FOR SUPPLIERS

15.1 ESTABLISHMENT OF THE LIST OF PROSPECTIVE PROVIDERS PER COMMODITY

Refer to SCM TR 14, 43, 44 & 45

- 15.1.1 The Municipality shall establish and maintain a list of prospective providers per commodity for the purpose of obtaining quotations.
- 15.1.2 The prospective provider list shall be used effectively to promote B-BBEE as well as the participation of Small, Medium and Micro Enterprises (SMME's).
- 15.1.3 The prospective provider list must be re-advertised at least every year.
- 15.1.4 Prospective providers will be assessed in terms of predetermined evaluation criteria.

15.2 UPDATING OF THE LIST

- 15.2.1 The prospective provider list must be updated at least quarterly in order to accommodate additional providers, newly established providers and for adding or amending categories of requirements.

15.3 UTILISATION PROCEDURE

- 15.3.1 Up to the quotation threshold, the Municipality shall invite prospective providers (in the relevant commodity), featured on the prospective provider list, to submit a quote.
- 15.3.2 The invitation of price quotations from the provider list shall be done in such a manner that ongoing competition amongst providers is promoted.

15.4 REMOVAL FROM THE PROSPECTIVE PROVIDER LIST

- 15.4.1 Prospective providers may be removed from the list on request or for non-compliance with relevant legislation, proven non-delivery and proven fraud and/or corruption.

PART 16.1: STRATEGIC SOURCING

16.1 ANALYSIS OF SUPPLY INDUSTRY

- 16.1.1 Determine names of suppliers/service providers for a specific commodity or groups of commodities.
- 16.1.2 Evaluate the available specifications/terms of reference.
- 16.1.3 Determine the location of goods as well as lead and delivery times.

PART 16.2: STRATEGIC SOURCING

16.2 STRATEGIC SOURCING

- 16.2.1 The sourcing strategy shall determine where the goods and services can be obtained and through which selection mechanism.
- 16.2.2 The sourcing strategy shall address value for money principles.

PART 16.3: SUSTAINABLE PROCUREMENT

16.3 SUSTAINABLE PROCUREMENT

16.3.1 Knysna Municipality is committed to reducing our carbon footprint.

16.3.2 Sustainable procurement (or Green procurement) is a spending and investment process typically associated with public policy, although it is equally applicable to the private sector.

16.3.3 Organizations practicing sustainable procurement meet their needs for goods, services, utilities and works not on a private cost-benefit analysis, but with a view to maximizing net benefits for themselves and the wider world.

16.3.4 In doing so they must incorporate extrinsic cost considerations into decisions alongside the conventional procurement criteria of price and quality, although in practice the sustainable impacts of a potential supplier's approach are often assessed as a form of quality consideration. These considerations are typically divided thus: environmental, economic and social (also known as the "triple bottom line").

16.3.5 Sustainable procurement involves a higher degree of collaboration and engagement between all parties in a supply chain. Many businesses have adopted a broad interpretation of sustainable procurement and have developed tools and techniques to support this engagement and collaboration.

16.3.6 Sustainable procurement broadens this framework to take account of third-party consequences of procurement decisions, forming a "triple baseline" of external concerns which the procuring organization must fulfil.

16.3.6.1 Environmental

Environmental concerns are the dominant macro-level justification for sustainable procurement, born out of the growing 21st century consensus that humanity is placing excessive demands on available resources through unsustainable but well-established consumption patterns. These will involve non-human factors.

This is a sufficiently influential issue that environment-centric procurement (green procurement) is sometimes seen to stand alone from sustainable procurement. The most straightforward justification for green procurement is as a tool with which to address climate change, but it offers the broader capacity to mitigate over-exploitation of any and all scarce resources.

Examples of green procurement range from the purchase of energy-saving light-bulbs to the commissioning of a new building from renewably sourced timber via organic food being served in a workplace canteen. The ultimate green procurement is the avoidance of the purchase altogether.

In support of Sustainable Development the organization should develop and publish a 'Sustainable Development Procurement Guidelines and Procedures'. When it comes to purchasing products or services, referral to these guidelines would help make the organization become a leader in environmentally responsible purchasing.

16.3.6.2 Social

Sustainable procurement is also used to address issues of social policy, such as inclusiveness, equality, international labor standards and diversity targets, regeneration and integration.

Examples include addressing the needs – whether employment, care, welfare or other – of groups including ethnic minorities, children, the elderly, those with disabilities, adults lacking basic skills, and immigrant populations.

16.3.6.3 Economic

On a macroeconomic level, it can be argued that there are economic benefits in the form of efficiency gains from incorporating whole-life costing into decision-making. [Note: in contrast to most arguments from sustainable procurement proponents, these can be purely private benefits accrued by the procuring organization.]

In addition, the creation of sustainable markets is essential for long-term growth while sustainable development requirements foster innovation. There are also potential global applications: sustainable procurement can favour fair trade or ethical practice, and allow extra investment to channel towards developing countries.

On a microeconomic level, sustainable procurement offers the chance for economic redistribution. Targets might include creation of jobs and wealth in regeneration areas, or assistance for small and/or ethnic minority-owned businesses.

MODULE 4: ACQUISITION MANAGEMENT

PART 17: ACQUISITION MANAGEMENT SYSTEM

17.1 ACQUISITION MANAGEMENT SYSTEM

17.1.1 THE ACQUISITION SYSTEM

Refer to SCM TR Part 2

17.1.1.1 Goods and services must only be procured in accordance with an authorised procurement processes.

17.1.1.2 Procurement of goods and services, either through quotations or through a bidding process, must be within the threshold values as determined by National Treasury.

17.1.1.3 Expenditure on goods and services may only be incurred in terms of an approved budget and within the limits of the amounts appropriated for the different main divisions within an approved budget.

17.1.1.4 Take into account any Treasury guidelines on acquisition management.

17.1.1.5 This Policy, except where provided otherwise in the Policy, does not apply in respect of the procurement of goods and services contemplated in Section 110(2) of the MFMA, including water from the Department of Water Affairs or a public entity, another Municipality or a Municipal entity, and electricity from Eskom or another public entity, another Municipality or a Municipal entity.

17.1.2 TYPES OF PROCUREMENT

17.1.2.1 When a requirement becomes known, the noted hierarchy for satisfying requirements shall apply starting first with the hierarchy of processes of obtaining stock from internal resources and then only applying the hierarchy of processes of satisfying requirements from external sources.

17.1.2.2 Liaise and obtain permission from relevant treasury to commence with establishment and maintenance of an E-procurement system in order to ensure compatibility with other electronic systems utilised by Government.

17.1.3 DIRECTIVES FOR SPECIFIC TYPES OF REQUIREMENTS

17.1.3.1 For the following cognisance should also be taken of additional specific prescripts, rules and thresholds guiding specific circumstances and products:

- E-commerce
- Public Private Partnerships
- Building, Engineering and Construction Works

(i) E-COMMERCE

17.1.3.2 The AO may not acquire new information technology support for the implementation of the new

SCM function without consulting SITA.

(ii) PUBLIC PRIVATE PARTNERSHIPS

Refer to section 120 of the MFMA and relevant PPP Regulations

17.1.3.3 The Municipality shall ensure that the provisions of section 120 of the MFMA as well as the issued Regulations are complied with when goods or services are procured through public private partnerships or as part of a public private partnership.

(iii) BUILDING, ENGINEERING OR CONSTRUCTION WORKS

Refer to the CIDBA Act, Regulations and Standards

17.1.3.4 The Municipality shall ensure that, in the case of a bid relating to the construction industry, the relevant prescripts of the Construction Industry Development Board pertaining to bid documentation and general conditions of contract are taken into consideration additionally.

PART 18: THRESHOLD VALUES

18.1 RANGE OF PROCUREMENT PROCESSES AND THRESHOLDS

Refer to SCM TR 12,18

18.1.1 Promote the principles of being fair, equitable, transparent, competitive and cost-effective through all procurement processes.

18.1.2 Subdivision of requirements to circumvent the Accounting Officer's delegated powers will not be tolerated.

18.1.3 The Accounting Officer may, in writing:

- Lower but not increase, the different threshold values
- Direct that:
 - *Petty cash processes be obtained for any specific procurement of a transaction value lower than R2000;*
 - *Written quotations be obtained for any specific procurement of a transaction value between R2 001 – R30 000;*
 - *Informal bidding process be obtained for any specific procurement of a transaction value between R10 001 – R 200 000; or*
 - *A competitive bidding process be followed for any specific procurement of a transaction value higher than R200 000 and the procurement of long term contracts (excluding normal rental/lease agreements regarding office equipment, IT equipment and software to a maximum of R200 000 over a three year period).*

18.1.4 Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the Policy. When determining transaction values, a requirement

for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

PART 19: PROCUREMENT PROCESSES

19.1 PETTY CASH TRANSACTIONS UP TO R2000 (A Order type)

Refer to SCM TR 15

- 19.1.1 Within the petty cash monetary threshold, up to R2 000, VAT included, satisfy the requirement according to the prescribed petty cash policy.
- 19.1.2 The Municipality shall ensure that a petty cash policy and procedures are in place.
- 19.1.3 The petty cash policy must stipulate for which items and under which circumstances petty cash may not be utilized.
- 19.1.4 The petty cash procedure may not be used for items available on contract, payroll payments, inventory, capital goods and other personal obligations.
- 19.1.5 Monthly reconciliations must be done by each manager and be submitted to the CFO.

Receiving and opening procedures for quotations up to R2 000

Refer to SCM TR 23

- 19.1.6 A fair and transparent process shall be followed for the closing, receiving, opening and processing of quotations and may be aligned with the petty cash SOP.

19.2 INFORMAL QUOTES (B and C order type)

Above R2 000 and less than R10 000

Refer to SCM TR 16

- 19.2.1 Requirements may be procured without inviting competitive bids or formal written quotations.
- 19.2.2 Obtain at least 3 written quotations from the list of prospective providers, where applicable.
- 19.2.3 Where no suitable providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that they adhere to the listing criteria as stipulated in this policy.
- 19.2.4 If it is not possible to obtain at least three quotations, the reason must be recorded and approved by the AO or the delegated authority.
- 19.2.5 Place the order only against written confirmation from the selected provider.

Above R10 000 and less than R30 000

- 19.2.6 Requirements may be procured by inviting written quotations from as many as possible providers on the prospective provider list.

- 19.2.7 Requirements for quotations above R 10 000 and up to R 30 000 must be advertised for at least 3 days on the website and an official notice board of the municipality.
- 19.2.8 Where no suitable providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that they adhere to the listing criteria as stipulated in this policy.
- 19.2.9 If it is not possible to receive at least 3 quotations, the reasons should be recorded and approved by the CFO or the delegated authority.
- 19.2.10 The AO must record the names of the potential providers and their written quotations.

Receiving and opening procedures for written quotations above R2000 up to R30 000

- 19.2.11 Quotations must be submitted in writing preferably by hand or per mail, but may also be faxed or e-mailed.
- 19.2.12 Bid box procedures may be used where the circumstances so require.

19.3 INFORMAL BIDS (R order type) Above R 30 000 and less than R200 000

Refer to SCM TR 17 & 18

- 19.3.1 Requirements may be procured by inviting written quotations from as many as possible providers on the prospective provider list.
- 19.3.2 Requirements for quotations above R 30 000 and up to R 200 000 must be advertised for at least 7 days on the website and an official notice board of the Municipality and deposited in the bid box specified by the specified time on the due date accompanied by a valid tax clearance certificate issued by SARS.
- 19.3.3 Where no suitable providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that they adhere to the listing criteria as stipulated in this policy.
- 19.3.4 If it is not possible to receive at least 3 quotations, the reasons should be recorded and approved by the CFO or the delegated authority.
- 19.3.5 The AO must record the names of the potential providers and their written quotations.
- 19.3.6 A designated official must within 3 days of the end of each month report to the CFO on any approvals given during that month by that official.
- 19.3.7 The Municipality may apply the prescripts of the PPPFA for procurement in this category. This is however not compulsory.

Evaluation from R30 000 and up to R200 000

- 19.3.8 For quotations from R30 000 and up to R200 000, where the requirement is not technically complex and where there are no major risks involved, the delegated authority shall evaluate quotations

received and submit a recommendation regarding the award of the quotations to the relevant manager.

19.3.9 The evaluator and awarder should consist of different members to ensure that a transparent review of the evaluation is undertaken.

19.3.10 Quotations are to be evaluated against the predetermined criteria in the quotation document. The criteria to be taken into account, are inter alia:

- *Compliance with the legality and special conditions.*
- *Specifications/terms of reference evaluation = functionality*
- *Preferential procurement:*
 - *Price*
 - *Preference*
- *Capability / ability of the bidder to execute the contract and other latent factors.*

Receiving and opening procedures for quotations above R30 000

19.3.11 A fair and transparent process shall be followed for the closing, receiving, opening and processing of bids.

19.3.12 Bidders shall be allowed to submit bids by courier, electronic mail or by hand.

19.3.13 A bid box shall be visibly provided on the premises of the Municipality and shall be accessible during working hours.

19.3.14 A bid box shall always be locked, unless bids are collected in order to prevent unauthorized removal of bids.

19.3.15 At least two delegated officials must be present during opening of bids on the date and precise time of closing as specified.

19.3.16 At the precise closing time of the bid, the bid box is locked to prevent late submission of bids into the box where after all bids in the box are removed for processing.

19.3.17 Information on bids received must be captured in a bid register.

19.3.18 Bids shall be date stamped to indicate the date and time of receipt of bids.

19.3.19 A special lockable office for the storing of bids must be available.

19.3.20 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid:

- *Has furnished that providers:*
 - *Full name;*
 - *Identification number or company or other registration number;*
 - *Tax reference number and VAT registration number, if any;*
- *Has authorised the Municipality to obtain a tax clearance from SARS that the provider's tax matters are in order; and*
- *Has indicated;*

- *Whether he or she is in the service of the state, or has been in the service of the state in the previous 12 months;*
- *If the provider is not a natural person, whether any of its directors, managers, principle shareholders or stakeholder is in the service of the state; or has been in the service of the state in the previous 12 months; or*
- *Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder is in the service of the state or has been in the service of the state in the previous 12 months.*

19.3.21 The quotation/bid documentation pack will consist of the following:

- *Covering letter, which should at least include the bid number, description of the requirement, name of the organization by whom it is required and the closing date and time.*
- *Standard bid documents that include, but are not limited to the following:*
 - *Invitation to Bid that is the bidders' consent if signed to enter into a contract under the conditions specified in the bid documents, should the offer be accepted.*
 - *Tax Clearance requirements.*
 - *Relevant pricing schedule.*
 - *Declaration of interest.*
 - *Relevant BBBEE claim form.*
- *Specification/Terms of reference.*
- *Evaluation criteria.*
- *General conditions of contract.*
- *Special contract conditions.*
- *Copy of the formal contract or service level agreement (SLA) where applicable.*
- *Adjudication and evaluation criteria and scores.*

19.4 COMPETITIVE BIDDING

Range of procurement processes above R200 000

- 19.4.1 A competitive bidding process shall be followed as far as possible.
- 19.4.2 If, in a specific case it is impracticable to invite competitive bids, the Municipality may procure the required goods or services by other means such as through deviations, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the Accounting Officer or delegated authority prior to the award and promptly reported to the SCM Unit.
- 19.4.3 The Municipality may include an open and transparent, competitive pre-qualification bidding process in which only pre-qualified organisations may participate.
- 19.4.4 The prescripts of the PPPFA shall be adhered to.
- 19.4.5 Subdivision of requirements to circumvent the AO's delegated powers will not be tolerated.

Award structure above R200 000

Refer to SCM TR 29

- 19.4.6 The Bid Adjudication Committee shall consider and recommend the awarding of bids above the monetary value of R200 000 and up to R 10 million to the relevant delegated authority.
- 19.4.7 The Bid Adjudication Committee shall consider and recommend the awarding of bids above the monetary value of R 10 million to the AO who will make the final award.
- 19.4.8 The function must be carried out in line with the functions stipulated under the roles and responsibilities section.
- 19.4.9 The Bid Adjudication Committee assesses if the specific procurement process followed, is in line with the approved policy and procedures, that the evaluation is fair and sound, the deal is acceptable and in the Municipality's best interest, and then approves/rejects the recommendation or make a final recommendation to the AO for final award.
- 19.4.10 Where the Bid Adjudication Committee finds that the recommendation is not correct or not in the Municipality's best interest, the reasons for not supporting the review is:
- *Firstly returned to the Bid Evaluation Committee for reconsideration, then*
 - *Submitted to the AO for final award.*
- 19.4.11 Members of the Bid Evaluation Committee may present their reports to the Bid Adjudication Committee and clarify any uncertainties.
- 19.4.12 The Bid Adjudication Committee and the AO has the power to amend or cancel concluded agreements if delivered goods and services do not conform to specifications.
- 19.4.13 Any decision regarding the adjudication of a contract is final.

(i) BID EVALUATION COMMITTEE FOR PROCUREMENT ABOVE R200 000

- 19.4.14 Above R200 000, a Bid Evaluation Committee shall evaluate bids received and submit a recommendation regarding the award of the bids to the Bid Adjudication Committee.
- 19.4.15 Bids are to be evaluated against the predetermined criteria in the bid document. The criteria to be taken into account, are inter alia:
- *Legal compliance and compliance with special conditions*
 - *Evaluation of specifications/terms of reference/functionality (within threshold values set).*
 - *Preferential procurement:*
 - *Price*
 - *B-BBEE certificates*
 - *Latent factors or other additional objective factors:*
 - *Capability/ability of the bidder to execute the contract.*
- 19.4.16 National Industrial Participation Programme requirements.
- 19.4.17 CIDBA requirements for infrastructure or construction procurement.

19.5 TENDER STRATEGIES LINKED TO COMPETITIVE BIDS

19.5.1 COMPETITIVE BIDDING

Refer to SCM TR 19-20

19.5.1.1 Competitive open bidding shall be applied as first preference.

19.5.1.2 Bids shall be advertised in the newspapers circulating locally and other appropriate media to reach the target market (*including the Government Tender Bulletin if appropriate*), should the AO or the delegated authority deem it necessary.

19.5.2 TWO-STAGE BIDDING

19.5.2.1 A two-stage bidding process is allowed for:

- Large complex projects;
- Projects where it may be undesirable to prepare complete detailed technical specifications; or
- Long term projects with a duration period exceeding three years.

19.5.3 TRANSVERSAL BIDS

19.5.3.1 Transversal bids will only be relevant when the Municipality wishes to invite a tender/bid for itself and other municipalities or wishes to participate in a tender together with other municipalities or organs of state.

19.5.3.2 This form of bidding is different than when participating in a tender invited by another organ of state as referred to in SCM TR 32.

19.5.3.3 Council approval is required to participate in transversal bids.

19.5.4 DIRECT NEGOTIATION

MSA 78-process and Municipal Land Disposal Policy

19.5.4.1 Direct negotiations shall only be permitted after approval by the AO and shall be conducted in such a manner that limits disadvantage or prejudice to other stakeholders. Care should be taken to ensure that such a process does not allow the bidder concerned an unreasonable unfair opportunity.

19.5.4.2 Direct negotiations may only take place under the following circumstances:

- In cases of urgency due to unforeseen circumstances where lack of planning or negligence did not play a role and where following the standard competitive bidding process or the process prescribed for urgency would not be in the Municipality's best interest.
- Owing to a catastrophic event, there is an urgent need for the goods or services (an emergency), making it impractical to use other methods of procurement because of the time involved in using those methods.
- In cases where preferred bidders were identified through a competitive bidding process.
- In the case of competitive negotiation because of the technical character of the goods or

construction, or because of the nature of the services, it is necessary for the procuring entity to negotiate with suppliers or service providers. Thus in the aforementioned case the first round of the two-stage bidding process has taken place where *inter alia* capacity and acceptability was established.

- In the case where a Municipal Systems Act, section 78 process was followed.
- In the case of an unsolicited bid process.

19.5.4.3 The official that can contractually commit the Municipality in this regard must lead the negotiation and must be supported by the user division and the SCMU.

19.5.4.4 The AO may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation does not lead to a higher price than the bid as submitted. Minutes of such negotiations must be kept for record purposes.

19.5.5 CONSULTANTS

Refer to SCM TR 35 and AO SCM Guide, 2005

19.5.5.1 The Municipality shall apply the National Treasury's instructions in respect of the appointment of consultants as well as CIDB guidelines in respect of services related to the build environment and construction works

19.5.5.2 Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the Accounting Officer/authority cannot be reasonably expected either to train or to recruit people in the time available.

19.5.5.3 Consultant services cannot be dealt with in the same manner as general procurement, as this type of procurement contains specialised types of services, therefore specific procedures and processes should be adopted and put in place.

19.5.5.4 These procedures and processes should be on a case-by-case basis depending on the nature and the type of consulting work under consideration.

19.5.5.5 Take into account production of documents where copy right, patents/ownership is concerned when drafting documentation of this nature.

19.5.5.6 In addition to any requirement prescribed by this policy for competitive bids, bidders must furnish particulars of:

- All consultancy services provided to the Municipality in the last 5 years
- Any similar consultancy services provided to the Municipality in the last 5 years

19.5.5.7 The work undertaken by a consultant should be regulated by a contract. The Accounting Officer/Authority is, however, responsible for monitoring and evaluating contractor performance and outputs against project specifications and targets and should take remedial action if performance is below standard.

19.5.5.8 The particular method to be followed for the selection of consultants for any given project should be selected by the Accounting Officer/Authority.

19.5.6 INFORMATION TECHNOLOGY

Refer to SCM TR 31

19.5.6.1 The AO may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

19.5.6.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

19.5.6.3 The AO must notify SITA together with a motivation of the IT needs if:

- The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
- The transaction value of contract to be procured whether for one or more years exceed R50 million (VAT included).

19.5.6.4 If SITA comments on the submission and the Municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant Provincial Treasury and the Auditor-General.

19.5.6.5 The following software packages were approved by Council in the IT Policy and Knysna Municipality has standardised on it. It will not be deemed as deviations from the SCM Process:

- Microsoft Office
- Adobe
- Groupwise
- Trend Micro
- IIMS
- GIS software
- 3G software
- R Admin
- SCADA
- AllyCAD
- LMS
- Collaborator
- Promun

19.5.7 BANKING SERVICES

Refer to SCM TR 30

19.5.7.1 A contract for banking services:

- Must be procured through competitive bids;
- Must be consistent with section 7 or 85 of the MFMA; and
- May not be for a period of more than 5 years at a time.

19.5.7.2 The process for procuring a contract for banking services must commence at least 9 months

before the end of an existing contract.

19.5.7.3 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act 94 of 1990).

19.5.8 GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

Refer to SCM TR 33

19.5.8.1 The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

19.5.8.2 Where the storage of goods in bulk are 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.

19.5.9 PROCUREMENT FROM ABROAD

19.5.9.1 The Municipality may procure from abroad if it can be certified in writing that:

- The product/service cannot be sourced locally or through local representatives and that no other similar product will serve the purpose.
- That a local sourcing process has been run without any success.
- The prices of the locally available supply/service are exorbitant.

19.5.9.2 For procurement outside the boundaries of South Africa, the same process is followed as for the procurement within South Africa, except for the following:

- Determining international advertising mechanisms.
- Determining the utilisation of conditions applicable to foreign countries, such as Inco terms, if required.
- Determining if the price should be indicated in foreign currency, and if so, which currency.
- The estimated cost in foreign currency plus conversion factors.

19.5.9.3 The forward cover risk must as far as feasible, be carried by the selected supplier.

19.5.10 ROSTER

19.5.10.1 A roster system may be applied for a list of pre-approved suppliers, subject to the development and adoption of a Roster System Policy containing the following:

- Roster scope for Professional Service Providers and consultants.
- Registration of service providers.
- Qualification to be registered on the Roster System database.
- Sequencing and ranking of service providers on the Roster System database.
- Selection of a service provider on the Roster System database.

- Appointment of a service provider.
- Roster System computer based.

19.5.11 DEVIATIONS

SCM TR 36

- 19.5.11.1 Deviations are only to be used if justification exists and the necessary approval has been obtained within the provisions of the Delegation Framework.
- 19.5.11.2 The Municipality will use deviations only in the following exceptional circumstances:
- Where the Municipality applied the competitive (open) bidding process, but the bids received were all non-responsive or not acceptable, thus the time required to go out on the same process has elapsed.
 - Where the Municipality can buy under exceptionally advantageous conditions that only arise in the very short term.
 - In the event that a change of provider would compel the Municipality to obtain spare parts or additional equipment or services that are not compatible or interchangeable with existing equipment or services that were obtained from an original provider.
 - The goods, services or works to be bought have to be designed by the provider.
 - When goods, services or works can only be supplied or rendered by a particular provider and no reasonable alternative or substitute exists.
 - There are legislative, technological or safety reasons to restrict purchases to providers who have proven their capability.
 - In cases of urgency.
 - In cases of emergency.
 - Appropriate motivation that competitive bidding would be impractical.
- 19.5.11.3 The reasons for employing deviations must be approved in writing by the AO or delegated authority prior to an award being made.

19.5.12 ORGANS OF STATE

Refer to MFMA section 110(2) and SCM TR 32

- 19.5.12.1 The AO may procure goods and services for the Municipality under a contract secured by another organ of state, but only if:
- The contract was secured by that other organ of state by means of competitive bidding process applicable to that organ of state.
 - The Municipality has no reason to believe that such contract was not validly procured.
 - There are demonstrable discounts or benefits for the Municipality to do so.
 - That the other organ of state and the provider have consented to such procurement in writing, prior to the award.
- 19.5.12.2 However, the above do not apply if a Municipality procures goods or services through a contract secured by a municipal entity of which it is the parent Municipality.

19.5.12.3 The AO must make public the fact that such goods or services are procured otherwise than through the Municipality's SCM system, including:

- The kind of goods or services; and
- The name of the supplier.

19.5.13 EMERGENCY

19.5.13.1 Irrespective of monetary value, an emergency procurement process will only apply in serious, unexpected and potentially dangerous circumstances which require immediate rectification:

- In the event of a threat or interruption in the Municipality's ability to execute its mandate or render its services.
- In the event of an immediate threat to the environment or human safety.

19.5.13.2 The standard procurement processes will be bypassed. The Municipality may dispense with the invitation of bids and may obtain the requirement by means of quotations by preferably making use of the list of prospective providers or otherwise in any manner to the best interest of the Municipality.

19.5.13.3 The appropriate course of action for emergency shall be justifiable under the circumstances.

19.5.13.4 The nature of the emergency and the details of the justifiable procurement process followed will be recorded and reported.

19.5.14 UNSOLICITED BIDS

Refer to section 113 of the MFMA and SCM TR 37

19.5.14.1 The Municipality is not obliged to consider unsolicited bids received outside a normal bidding process.

19.5.14.2 If the Accounting Officer decides to consider an unsolicited quotation/bid, he or she may do so only if:

- It is in compliance with section 113 of the MFMA and SCM TR 37.
- The product or service offered in terms of the quote/bid is a unique innovative concept that will be exceptionally beneficial to, or have exceptional cost advantages for the Municipality.
- The person who made the offer is the sole provider of the product or service.
- The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- The need for the product or service by the Municipality has been established during its strategic planning and budgeting processes.

19.5.15 SPONSORSHIPS

Refer to SCM TR 48

- 19.5.15.1 The Municipal Grant-in-Aid Policy guides the management of sponsorships as it provides for the opportunity for developing methods of joint funding strategies with outside agencies such as matching funding or sponsorship partnerships to meet the objectives of a developmental local government.
- 19.5.15.2 The principles guiding the Grant-in-Aid Policy are to:
- Promote fairness, equitability and transparency in the process of granting aid funding.
 - Support the poor, aged, youth, disabled and women.
 - Promote sustainable solutions to serve the poor, marginalized or otherwise vulnerable.
- 19.5.15.3 Identify and develop sustainable matching funding or sponsorship partnerships to meet the objectives of a developmental local government.

PART 20: GENERIC BID ISSUES

20.1 COMPILATION OF BID DOCUMENTS

20.1.1 BID DOCUMENTS FOR BIDS

Refer to SCM TR 15-21

20.1.1.1 Bid documentation for a competitive bidding process must:

- (i) Take into account:
 - The general conditions of a contract and any special conditions of contract, if specified;
 - Any treasury guidelines on bid documentation;
 - The requirements of the CIDB, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (ii) Include the preference point system to be used, goals as contemplated in the Preferential Procurement Regulations and Evaluation and Adjudication criteria; including any criteria required by other applicable legislation;
- (iii) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (iv) If the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish:
 - If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements
 - *For the past three years;*
 - *Since the establishment, if established during the past three years;*

- A certificate signed by the bidder, certifying that the bidder has no undisputed commitments for municipal services towards a Municipality or other service provider in respect of which payment is overdue for more than thirty (30) days;
- Particulars of any contract awarded to the bidder by the Municipality during the past five (5) 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; and
- (v) 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.
- (vi) Require supplier to supply tax references, tax clearance certificates, VAT registration numbers and identification or registration numbers;
- (vii) Include details of any contracts above R200 000 carried out on behalf of the Municipality within the last five years;
- (viii) Set out contract management processes and procedures including provision for the AO to cancel the contract on ground of unsatisfactory performance;
- (ix) Include any other matters as required by the MFMA and the SCM Regulations;
- (x) Set out requirements for performance guarantees and retention.

20.1.2 LANGUAGE OF QUOTATION / BID DOCUMENTS

20.1.2.1 The Municipality shall compile all documentation in at least English.

20.1.2.2 Bidding documents may be compiled in other languages as well, subject to stipulated circumstances.

20.1.3 CALLING FOR BIDS

20.1.3.1 Bids must be invited by the SCMU unless other divisions/components have been delegated to do so.

20.1.4 ADVERTISING OF BIDS

Refer to SCM TR 22

20.1.4.1 All bids must at least be advertised on the municipal website, in 2 newspapers circulating locally and, optionally, the Government Tender Bulletin.

20.1.4.2 The specifications must be approved by the AO, or the official delegated by the AO, prior to advertisement of the bid. In the absence of the AO this may be delegated to the acting MM or the CFO.

20.1.4.3 The relevant media shall be considered to ensure that the target market is reached. Cost must be a consideration.

20.1.4.4 Bids must be advertised for at least 14 days before closing time, except in urgent cases when bids may be advertised for such shorter period as the AO may determine. In the case of transactions over R10 million or which are of a long term nature the closure date for the submission of bids may not be less than 30 days.

20.1.4.5 No bids may be advertised or close between 15 and 31 December as most firms are closed during this period and advantageous bids can therefore not be ensured. However, if circumstances requires otherwise, a submission for approval must be made to the AO or the delegated authority in this regard.

20.1.5 CLOSING TIME OF BIDS

20.1.5.1 Closing time means the latest date and hour specified in the bid documents for the receipt of bids.

20.1.5.2 Bids of the Municipality close at **12:00** on the day indicated in the bid documents.

20.1.5.3 The closing of bids must be strictly observed.

20.1.6 DETERMINING THE CLOSING PERIOD

20.1.6.1 The normal closing period is not less than 14 days from the date of the publication of the invitation to bid.

20.1.6.2 As a minimum requirement, where goods are to be imported, bids will close at least 5 weeks from the date of the publication.

20.1.6.3 The principle of allowing bidders enough time to prepare comprehensive bids must be observed.

20.1.6.4 Approval for the shortening or lengthening of the closing period must be obtained in accordance with the AO's delegated powers. Reasons for the deviation must be documented and fully motivated.

20.1.6.5 Where a shorter period is involved, care must be taken that a reasonable time, normally not less than 14 days, is allowed for the preparation of the bidder's offer.

20.1.7 DETERMINING THE VALIDITY PERIOD

20.1.7.1 The validity period should allow the Municipality sufficient time to finalise the evaluation and award of the quotation/bid.

20.1.7.2 Bids must be valid for at least 60 - 90 days from the closing date of the bid. A longer period may be set if problems with the evaluation is envisioned, but preferably not longer than 120 days. Approval is to be obtained within the AO's delegated powers. The extension should be for the minimum period required to complete the evaluation, obtain the necessary approvals and award the contract. In the case of fixed price contracts, requests for second and subsequent extensions should be permissible only if the request for extension can be provided subject to the same price,

terms and conditions.

20.1.7.3 An extension of validity must be requested in writing from all bidders before the expiry date.

20.1.8 AVAILABILITY OF BID DOCUMENTS

20.1.8.1 Bid documents must be ready and available before the requirement is advertised.

20.1.8.2 Bid documents may be collected by or may be e-mailed or posted to prospective bidders.

20.1.9 SALE OF BID DOCUMENTS

20.1.9.1 The Municipality shall under normal circumstances not sell its bid documents, but make it available free of charge.

20.1.9.2 In the event that bid documents are being sold, the costs thereof must only be to cover actual preparation cost and not for the purpose of making a profit.

20.1.9.3 The fee should not be so high as to discourage prospective bidders.

20.1.10 RESPONSES RECEIVED

20.1.10.1 The Municipality shall maintain a register/list of responses to the advertisement or the individuals/organizations targeted in the case of bids above R 200 000.

20.1.10.2 The response list must contain the following information:

- Bid number.
- Name of the bidder who documents were issued to.
- Name of the person/organisation that collected the bid on behalf of the bidder.
- Name of the person/organisation on whose behalf the document is collected, the phone number, the fax number and contact person of the prospective bidder.
- The date and time the document was collected or the date the document was posted/e-mailed.

20.1.10.3 The same particulars as mentioned above, where applicable, must also be collected where bid documents are requested by phone.

20.1.10.4 Bidders should take note that if bidding documents are posted, it is not the responsibility of the Municipality to ensure that the bidder receives the document on time in order to prepare a response.

20.1.11 ELEMENTS FOR INCLUSION IN BID DOCUMENTS

20.1.11.1 The Municipality's bid documents shall promote uniformity through standardised bid documents, where possible.

20.1.11.2 Bid documentation including the general conditions of contract shall be in accordance with the instructions of National Treasury and in accordance with any applicable legislation.

- 20.1.11.3 Bidders shall all receive the same information in documentation and should be assured of an equal opportunity to obtain additional information on a timely basis to ensure fairness.
- 20.1.11.4 Where feasible, promote subcontracting and joint ventures with SMME's.
- 20.1.11.5 Bid documentation shall include evaluation and adjudication criteria, including the criteria prescribed in the PPPFA and the BBBEE Act.
- 20.1.11.6 Clearly stipulate in bid documents that suppliers must submit valid BBBEE status level verification certificates or certified copies thereof with bids.

20.1.12 PRE-BID INFORMATION/SITE MEETINGS

- 20.1.12.1 Minutes of the meeting should be provided to all prospective bidders.
- 20.1.12.2 Any additional information, minutes of meetings, clarification, correction of errors, or modifications of bid documents should be sent to each recipient of the original bid documents in sufficient time before the closing date and time for receipt of bids to enable bidders to take appropriate actions.

20.1.13 CHANGING INFORMATION BEFORE CLOSING TIME

- 20.1.13.1 It is preferable to cancel a bidding invitation and to invite fresh bids if conditions or the specification or any other information have to be materially changed before the closing time or if mistakes are discovered in the documents before the closing time.
- 20.1.13.2 In this regard also adhere to the provisions of the PPPFA Regulations where all bids received are above or below the stipulated preference scoring.

20.1.14 POSTPONEMENT OF CLOSING DATE

- 20.1.14.1 The closing date may be postponed only if all prospective bidders can be advised of the postponed date in writing before the original closing date and in the case of an advertised bid invitation, the closing date may be postponed only if the postponed date can be timely advertised, before the original closing date.

20.2 POST TENDER CLOSING ACTIVITIES

20.2.2 Admission of bids

- 20.2.2.1 Bids received by facsimile transmitter, telegram, telex, e-mail or similar media do not meet the requirements and must be summarily rejected.
- 20.2.2.2 Only original bid documents or certified photocopies of facsimiles, which are submitted in the prescribed manner and where all essential forms are originally **signed in ink** before submission, may be accepted as valid.
- 20.2.2.3 Bidders shall be allowed to submit bids by mail, by courier or by hand into the bid box or at the physical address of the Municipality (reception, over the counter at the SCMU as applicable)

before the closing time of the bids.

20.2.2.4 All bids will then be kept unopened in safe custody until the closing date and time of the bids.

20.2.3 Confidentiality

20.2.3.1 After public opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards should not be disclosed to bidders or other persons not officially concerned with the process, until the successful bidder is notified of the award.

20.2.4 Bids received late

20.2.4.1 Bids are late if they are received at the address indicated in the bid documents after closing date and time.

20.2.4.2 Bids received late shall not be considered and shall be returned unopened to the bidder.

20.2.4.3 Where no bid or no acceptable bid has been received, the bid has to be re-advertised.

20.3 CONSIDERATION OF BIDS

20.3.2 All bids duly lodged shall be taken into consideration and evaluated.

20.3.3 For a bid to be considered it must comply with all the requirements of the bid documentation and be placed in the official bid box located at the SCM offices situated at the Finance Building, Clyde Street, Knysna.

20.3.4 The Municipality shall base its evaluation solely on an examination of the relevant statutory and/or predetermined evaluation criteria.

20.3.5 Evaluation criteria shall promote the areas of finance (commerce), technical compliance/ability, functional requirements and preferential procurement.

20.3.6 Members involved in the evaluation process shall be honest, fair, impartial, and transparent.

20.3.7 Bid Evaluation Committee(s) should be familiar with and adhere to prescribed legislation, directives and procedures in respect of SCM.

20.3.8 No person should interfere with the SCM system of the Municipality; or amend or tamper with any quotation/bid after its receipt.

20.4 REASONS FOR REJECTION

20.4.2 The Municipality must reject a proposal for the award of a contract if the recommended bidder has committed a proven corrupt or fraudulent act in competing for the particular contract.

20.4.3 The Municipality may disregard the bid of any bidder if that bidder, or any of its directors:

- Have abused the SCM system of the Municipality.
- Have committed proven fraud or any other improper conduct in relation to such system.
- Have failed to perform on any previous contract and the proof exists.
- Such actions must be communicated to the National Treasury.

20.5 SIGNING OF BIDS

- 20.5.2 In order to avoid confusion regarding precisely what must be signed for a valid bid, the Invitation to Bid or photocopy thereof must be signed in ink.
- 20.5.3 All declarations must also be duly completed and signed to qualify as valid claims.

20.6 AUTHORITY TO SIGN BID DOCUMENTS

- 20.6.2 The Invitation to Bid must make provision for the signatory to indicate that he or she is duly authorised to sign the bid documentation. A duly authorised person must sign the bid document.

20.7 TAX CLEARANCE CERTIFICATES

Refer to SCM TR 43 and PPPFA Regulations, 2011

- 20.7.2 As per SCM TR 43, the Municipality must reject any bid from a supplier who fails to provide written proof from SARS that the supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations. As proof that there are no outstanding tax obligations, a valid Tax Clearance Certificate must be submitted in the original.
- 20.7.3 In all cases where the bidder did not submit the Certificate by the closing time, or the certificate is not in the original or not valid, the bidder must be afforded an opportunity and be requested to submit the Certificate within 14 days from the date of the request. Recommendations with regard to such matters must be submitted to the relevant evaluation and award structures.
- 20.7.4 Where the Municipality is in possession of a valid tax clearance certificate from a bidder, i.e. due to its previous application as member on the list of prospective suppliers, the SCM Unit must make a note to such effect on the bid.
- 20.7.5 No contracts may, however, be awarded to bidders who have failed to submit the original Tax Clearance Certificate within the relevant period and they must be reported to SARS.

20.8 SUBMISSION AND SIGNING OF CERTIFICATES

- 20.8.2 In all cases where the relevant preference claim form has to be submitted and a provider had the intention to claim must fill in the preference form as indication of wishing to claim preference, the bidder must also complete and/or sign the declaration.
- 20.8.3 Recommendations with regard to incomplete claim forms must be submitted to the relevant Bid Evaluation Committee or relevant delegated authority.

20.9 DECLARATION OF INTEREST

- 20.9.2 A form for the declaration of a provider's position and interest must be included with the quotation/bid documents.
- 20.9.3 An official who is involved in the evaluation and recommendation process, or who is in any way involved with the procurement process, shall also certify, as part of the recommendation that he/she complies with The Prevention and Combating of Corrupt Activities Act.

20.9.4 All officials who can influence the award of a quotation/bid are seen as officials who are involved in the recommendation process.

20.9.5 The register of attendance of the members of the Bid Evaluation Committee and the Bid Adjudication Committee must contain the following:

"I, the undersigned,(full name and surname)

- ***Declare that I did not purposefully unlawfully favour or prejudice anyone in the decision making process in the recommendation and award of the quotation/bid.***
- ***Declare that neither I nor, as far as I am aware, any member of my organisation or my immediate family have any interests (pecuniary or otherwise) which could possibly be construed as having any influence on the proper and objective performance by me of my duties in relation to any SCM activities relating thereto nor to unduly influence anyone in this matter.***

****Declaration if any:***

-
- ***Agree to keep all information and documents relating to this matter confidential and not disclose or communicate the same to any person or persons without the prior written consent of the Municipality.***
 - ***Agree to keep the results of any processes in relation to the investigation confidential.***
 - ***Acknowledge receipt of confidential information and documentation and agree not to make any copies of, or take any extracts from them except as may be necessary and essential for the due and proper performance of my duties towards the Municipality.***
 - ***Acknowledge that conflicts of interests, breach of confidentiality and unauthorised disclosure are subject to the provisions and penalties contained in the Municipal Finance Management Act, 2003 (Act 56 of 2003) and relevant regulations.***
 - ***Agree to immediately and truthfully declare to the Municipality any changes, which may occur that relate to the matters stated in Clause 1 of this declaration during the rendering of the Services***

20.9.6 All officials who are involved in the decision making process must sign a similar affidavit.

20.10 PROVIDERS OWN CONDITIONS

20.10.2 The conditions as contained in the quotation/bid documents enjoy precedence.

20.10.3 All providers must accept these conditions.

20.10.4 However, it sometimes happens that providers set their own conditions, which might be in conflict with the quotation/bid conditions. Such own conditions set by providers can be recommended for acceptance where it is in the interest of the Municipality to do so and where the interests of other providers are not prejudiced.

20.10.5 Where the providers' own conditions are not in the best interest of the Municipality, the provider

must be requested to withdraw his conditions.

- 20.10.6 If providers are not prepared to withdraw unacceptable or conflicting conditions, reasons why such conditions must be accepted must be submitted to the relevant Bid Evaluation Committee for approval or alternatively the quotation/bid may be passed over.

20.11 CONSIDERATION OF ADDITIONAL INFORMATION

- 20.11.2 Information received after the closing date, may only be taken into consideration if it would not influence the original recommendation made, which must be based on the original information received from providers.
- 20.11.3 During the consideration of quotations/bids, communication by the Municipality with providers may take place only with the express prior approval of the relevant award structure.

20.12 CANCELLATION OF QUOTATIONS/BIDS

- 20.12.2 Should it be determined through the evaluation process that no acceptable quotations/bids were received; a recommendation to cancel the quotation/bid must be submitted for approval as part of the evaluation report.
- 20.12.3 The reasons why no acceptable quotations/bids were received by the closing date and time must be investigated before a decision is made what alternative process must be followed to satisfy the requirements.
- 20.12.4 The requirement may be re-advertised / re-invited or a specific number of pre-identified service providers may be targeted.
- 20.12.5 The evaluation report must contain the request for cancellation accompanied by the perceived reasons determined through the investigation as well as a recommendation on the alternative process to be followed to satisfy the requirements.
- 20.12.6 The relevant delegated authority shall approve all cases where quotations/bids:
- *Are to be cancelled.*
 - *New quotations/bids are to be solicited because of the cancellation.*
 - *Negotiations with the preferred bidder are to take place to determine a reduction in the scope and/or a reallocation of risk and responsibility.*
 - *A substantial reduction in the scope or modification to the bidding documents may require re-bidding.*
- 20.12.7 Where quotations/bids are to be cancelled all bidders must be informed in writing of the cancellation.

20.13 DISCUSSIONS WITH BIDDERS

Refer to SCM TR 24

- 20.13.2 Without the prior approval of the delegated authority no discussions may be conducted with any bidders regarding any aspect, which might in any way affect the prices, i.e. which may change the

order in which quotes/bids will be ranked.

- 20.13.3 Where such discussions are authorised, the delegated authority must ensure that the discussions take place at least at the middle management level and that the outcome of such discussions, must be placed on record in writing and comply with the provisions of SCM TR 24.

20.14 PREFERENTIAL PROCUREMENT

20.14.1 Preference point system

Refer to provisions of the PPPFA, its Regulations and the Municipal PPPFA Policy

- 20.14.1.1 The application of preferential procurement and broad based black economic empowerment must be consistent with:
- The Preferential Procurement Policy Framework Act and its Regulations.
 - The Broad Based Black Economic Empowerment Act.
- 20.14.1.2 The Municipality shall set itself a target that it wishes to achieve through preferential procurement, preferably through the adoption of a SCM Policy as provided for in section 2 of the PPPFA.
- 20.14.1.3 The Municipality shall stipulate the preference point system in bid documents to be applied in adjudication.
- 20.14.1.4 No system has to be applied in respect of acquisition with a Rand value of less than R30 000 per case.
- 20.14.1.5 In the event that all tenders received exceed the preference threshold stipulated in the tender documents, the tender will be cancelled and re-invited stipulating the correct preference point system to be applied.
- 20.14.1.6 Declarations must be completed as per Regulation 12 of the PPPFA Regulations.
- 20.14.1.7 When calculating comparative prices, take into account any discounts which have been offered unconditionally.
- 20.14.1.8 A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is affected.
- 20.14.1.9 In the event that different prices are tendered for different periods of a contract, the price for each period must be regarded as a firm price if it conforms to the definition of a "firm price".
- 20.14.1.10 The relevant preference point formula as per the PPPFA must be used to calculate the points for price in respect of acquisition with a Rand value equal to, or above R30 000.
- 20.14.1.11 The maximum score must be allocated to the lowest priced acceptable bid/quote. Any other acceptable quotations/bids, which are higher in price, must score fewer points on a pro rata basis, calculated on their prices in relation to the lowest acceptable quotation/bid in accordance with a prescribed formula.
- 20.14.1.12 The contract must be awarded to the bidder who scores the highest points unless objective criteria in addition to that pertaining to specific goals justify the award to another bidder.

20.14.2 Procurement Targets

20.14.2.1 Procurement targets set should be achieved. It is the responsibility of the AO or delegated authority to ensure that the targets are reached.

20.14.2.2 At this stage as an interim measure only short term targets for HDI is suggested. The following targets are proposed in table 21.14.2 below:

	2013/2014 Actual Targets	2013/2014 Actual Targets	2014/2015 Actual Targets	2014/2015 Actual Targets	2015/2016 Targets	2016/2017 Targets
Category	Orders total	HDI (%)	Orders total	HDI %	HDI %	HDI %
Advertising, printing and postage	2 639 847	13	2 492 476	9	30	30
S & T, training & functions	2 526 348	21	3 411 317	19	30	30
Prof. services	51 328 549	17	52 041 485	13	30	30
Contractors	88 996 685	27	97 252 729	31	45	45
Hire Charges	8 913 182	5	7 148 780	2	30	30
Sundry	377 908	52	412 427	20	60	60
Service Provider	6 312 781	12	7 664 607	14	30	30
Materials, stores and assets	44 793 022	13	39 828 521	12	30	30
Vehicles & related	3674266	5	4 522 754	22	20	20
Total	209 562 588	20	214 775 848	21	33	33

Table 21.14.2 Procurement Target

20.14.3 Broad Based Black Economic Empowerment Status Level Certificate

20.14.3.1 A B-BBEE status received by a measured entity based its overall performance using the relevant scorecard contained on the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the B-BBEEA.

20.14.3.2 B-BBEE status level attained by bidder must be used to determine the number of points scored out of 10 or 20 by a bidder for B-BBEE contribution.

20.14.4 Exempted Micro Enterprises

20.14.4.1 Tenderers with annual total revenue of R 10 million or less qualify as Exempted Micro Enterprises (EMEs) and no longer need to submit a certificate from a BBEE verification agent to confirm their status. All that is required is an affidavit certifying its total annual income and level of black ownership.

20.14.4.2 EME's qualify for a B-BBEE rating of 4 and if 100% black-owned will be deemed a level 1.

20.14.5 Local production and content

Refer to PPPFA Regulation 9(1), Municipal PPPFA policy and relevant NT and DTI circulars

20.14.5.1 In the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with stipulated minimum threshold for local production and content will be considered.

20.14.5.2 Designated sectors have been identified as being:

- *Textile, clothing, leather and footwear;*
- *Buses (bus body);*
- *Steel power pylons, Monopole pylons, steel substation structures, power line hardware, street lighting steel poles, steel lattice towers and masts;*
- *Canned / processed vegetables;*
- *Rail rolling stock;*
- *Set-top boxes for TV digital migration;*
- *Residential electricity meters;*
- *Pharmaceutical products;*
- *Solar water heater components;*
- *Valves products and Actuators;*
- *Transformers, shunt reactors and associated equipment;*
- *500mm to 3500mm Conveyance pipes;*
- *Furniture; and*
- *Electrical and telecom cable products*

20.14.5.3 Specifications of stipulated minimum threshold percentages and requirements for local production and content must be provided for the Municipal PPPFA Policy.

20.14.5.4 The AO must stipulate in bid invitations that the exchange rate to be used for the calculation of local production and content must be the exchange rate published by the SARB at 12:00 on the date of advertisement of the bid.

20.14.5.5 Only the South African Bureau of Standards approved technical specification number SATS 1286:2011 must be used to calculate local content.

20.14.5.6 Local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1-x/y)*100$$

where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

20.14.5.7 Clothing, footwear, steel power pylons, furniture, prepaid meters and electrical and telecom cable products are procured by KM. These products will be procured from South African producers and suppliers

20.14.5.8 The AO must stipulate in the bid documentation that:

- *The Declaration Certificate for Local Production and Content (MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be complete, duly signed and submitted by the bidder at the closing date and time of the bid; and*
- *The rates of exchange quoted by the bidder 4.1 of the Declaration Certificate will be verified for accuracy.*

20.14.6 Application of preferences

20.14.6.1 Preference calculations or decisions, made during evaluations, shall be clear and documented.

20.14.6.2 Including when appointing consultants, the point's allocation for price may only be for price and not functionality, which should be clearly stipulated in the TOR. This is in adherence to the PPPFA Regulations that functionality should be separately evaluated and scored.

20.14.6.3 If all bids received, exceed the estimated Rand value linked to the preference point system applied, the bid invitation must be cancelled and re-invited stating the correct preference point system.

20.14.7 Verifying Preferences

SCM TR 43, PPPFA and PPPFA Regulations, 2011

20.14.7.1 Verification is required whenever it is clear that the claimed preference is incorrect or when reasonable doubt exists that the bidder is entitled to the preference in any way at all.

20.14.8 Awarding of preferences

20.14.8.1 Preferences may be awarded for tenders under R 1 000 000m on an 80/20 basis and tenders which exceeds R 1 000 000m on a 90/10 basis.

20.14.8.2 Prior to calculating price and preference, functionality must be evaluated according to pre-determined weights, values and set thresholds/minimum qualification scores. No tender must be regarded as acceptable if it fails to achieve the minimum qualification score.

20.14.8.3 Preference scores will apply as follows:

B-BBEE Status level	80/20 points	90/10 points
1	20	10
2	18	9

3	16	8
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non-complaint contributor	0	0

20.14.9 Evaluation of bids

20.14.9.1 A four-stage evaluation process is followed to evaluate bids received relating to Local Production and Content.

20.14.9.2 **The first stage** is the evaluation in terms of the minimum threshold, as stipulated in the bid documents:

20.14.9.2.1 The Declaration Certificate for Local Content (MDB6.2) and Annex C must be used. If the bid is for more than one product, the local content (LC) percentages for each product contained in Declaration C must be used.

20.14.9.2.2 It is the Accounting Officer's responsibility to ensure that the required documentation (as mentioned above) is submitted and he/she must also verify the accuracy of the rates of exchange quoted by the bidder on the MBD 6.2 form. No amendments of the stipulated threshold are allowed.

20.14.9.3 **The second stage** involves evaluation based on functional specifications/terms of reference.

20.14.9.4 **Stage three** will be the evaluation in terms of the 80/20 or 90/10 preference point system mentioned in paragraph 21.14.7.3.

- The Accounting Officer must ensure that contracts are awarded at prices that are market relating taking into account, among others, benchmarks, prices value for money and economies of scale.
- Where appropriate, prices may be negotiated with short listed or preferred bidders, but may not prejudice other bidders.

20.14.9.5 **Stage four** is the consideration of latent and other factors that may influence the award of the bid.

- 20.14.9.6 Only 'acceptable tenders' will be considered for preference point allocation that means a tender which, in all respects, comply with the specifications and conditions of the tender as set out in the tender document (compliance with stage 1 and 2).
- 20.14.9.7 The Accounting Officer may approach the DTI to assist, benchmark prices that has been designated for local production and content. The DTI are in a position to provide price reference for the different products that have been designated for local production and content.
- 20.14.9.8 Tenders that include functionality must be advertised as such and the minimum threshold must also be included in the advertisement.
- 20.14.9.9 The evaluation criteria for evaluation functionality must be objective.
- 20.14.9.10 When evaluating tenders on functionality, the –
- (i) Evaluation criteria for measuring functionality;
 - (ii) Weight of each criterion;
 - (iii) Applicable values; and
 - (iv) Minimum qualifying score for functionality,
- must be specified in the invitation to submit a tender.
- 20.14.9.11 No tender must be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality as indicated in the tender invitation.

20.14.10 Calculation of bidder score

- 20.14.10.1 The bidder score shall be the sum of the preference points and the pricing point obtained by an acceptable tender, each of which shall be obtained as follows:
- (i) The pricing point shall be the point calculated in the formula prescribed in Regulations 5 and 6 of the PPPFA Regulations.

20.14.11 Amendment of prices prior to lapse of validity

- 20.14.11.1 An amendment of a quoted price during the validity period is not allowed.

20.14.12 Extension of validity period

- 20.14.12.1 Extension of validity must be finalised while the quotations/bids are still valid.
- 20.14.12.2 If a bidder should reduce his quoted price as a result hereof, the reduction may be considered only if the provider would have been the successful contractor irrespective of the reduction. In other words the case is evaluated at the original quoted price and if successful, it is accepted at the reduced price.
- 20.14.12.3 In cases where the quoted price is increased when the validity period expires and the quotation/bid concerned is either no longer recommended for acceptance or is recommended for acceptance at the higher price, the disadvantageous or incremental costs must be reported to the delegated authority.

20.14.13 Cancellation and re-inviting of tenders

20.14.13.1 Prior to an award, a bid may be cancelled if:

- Due to change of circumstances, there is no longer a need for the goods
- Funds are no longer available to cover the expenditure
- No acceptable bids were received
- **The validity period has lapsed and no award was made**

20.14.13.2 Decision to cancel a tender invitation must be published in at least the Government Tender Bulletin or the media in which the original bid was advertised.

20.14.13.3 In the event that, using the 80/20 preference point system, all tenders received exceed the estimated Rand value of R1 000 000, the tender invitation must be cancelled.

20.14.13.4 In the event that, using the 90/10 preference point system, all tenders received are equal of below R1 000 000, the tender must be cancelled.

20.14.13.5 Cancelled tender invitations must be re-invited and the correct preference points must be stipulated in the tender documents.

20.14.14 New and unproven products

20.14.14.1 A bid may not be rejected summarily simply because the bidder or the product which he offers is unknown

20.14.15 Country of origin

20.14.15.1 There is currently no embargo on the purchase of products from any foreign market, subject to the PPPFA provisions related to local content and the proudly South-Africa principles.

20.14.16 Deviations from specification

20.14.16.1 Quotations/bids with acceptable deviations from specification may be recommended for acceptance, provided that the competitiveness of another provider is not adversely affected and the deviation is not regarded as a material defect.

20.14.17 Alternative Officers

20.14.17.1 Regardless of whether the provider also submits offers conforming strictly to specification, alternative offers may be considered and accepted provided that the other providers are not prejudiced and alternative offers are not expressly excluded in the tender documentation.

20.14.17.2 If the alternative offer does not meet the specification requirements, in that it is lower than the specified requirements and the deviations are acceptable, the other providers must be approached in cases where they might possibly be prejudiced, with a view to obtaining offers for the delivery of a product or service with the same or similar acceptable deviations.

20.14.17.3 Such cases must be submitted to the relevant Bid Adjudication Committee for consideration

and the relevant delegated authority for approval.

20.14.18 Improvement of specification

- 20.14.18.1 A quotation/bid received which offers an improvement on the specification may be accepted provided that the other providers are not prejudiced.

20.14.19 Equal Offers

- 20.14.19.1 If functionality is part of the evaluation process and two or more bidders have scored equal points including equal points for B-BBEE and price, the successful bidder must be the one scoring the highest score for functionality.
- 20.14.19.2 In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for specified B-BBEE.
- 20.14.19.3 Should two or more offers still be equal in all respects, the award shall be decided by the drawing of lots in accordance with the delegated powers.
- 20.14.19.4 Where bid prices for a portion of a series of sub-items are equal and it is necessary for these items to be obtained from the same bidder, then the lowest overall bid may be recommended for acceptance.

20.14.20 Additional quantities

MFMA section 116 and NT MFMA CIRCULAR 62 of 2012

- 20.14.20.1 Before an award has been made, additional quantities may be accepted up to the maximum of 20 % and if it does not affect the preference goal of 80/20 or 90/10.
- 20.14.20.2 All providers concerned must be approached for offers for the larger quantities.
- 20.14.20.3 Where the additional quantities are more than 20%, a fresh or a supplementary bid must be invited, unless the provisions of MFMA section 116 and NT MFMA Circular 62 of 2012 has been complied with.

20.14.21 Samples

- 20.14.21.1 Notwithstanding the requirement that samples must be submitted not later than the date and time specified in the bidding documents, samples may be received up to the time that they are required for evaluation. The recommendation of a bid must, however, not be delayed because a sample, which was received late, still has to be evaluated.

20.14.22 Comparison of quoted prices

- 20.14.22.1 The quoted prices of all items must be brought to a comparative basis, where applicable, by deducting preferences and other benefits, and adding implied contract price adjustments in the case of non-firm prices and delivery and other costs where applicable.

20.14.23 Comparative prices: bids for contracts with a duration of more than one year

- 20.14.23.1 Where bids for contracts with a duration period of more than one year are received, comparative prices, where necessary, must be calculated on the basis of the discounted net present values of the various offers.
- 20.14.23.2 A specific escalation rate determined by the market factors should form part of the bid.
- 20.14.23.3 This rate will then be used to calculate the tariffs for each of the future years.

20.14.24 Confidentiality

- 20.14.24.1 After the public opening of bids, information relating to the evaluation process may not be disclosed to interested parties or other persons not officially concerned with the process, until the successful or preferred bidder is notified of the award.

20.14.25 Subcontracting and joint ventures

- 20.14.25.1 It is incumbent upon the Municipality to take care that:
 - Subcontractors and partners in joint ventures are engaged in fair and reasonable conditions of contract.
 - Contractors who contravene the contract conditions potentially be designated as restricted persons.
 - Secured payment options may only be considered where it can be justified.
- 20.14.25.2 The Municipality does not accept any liability for the services rendered or goods provided by sub-contractors.
- 20.14.25.3 A Consortium or Joint Venture shall qualify for points for their B-BBEE status level as a legal entity, provided that they submit a consolidated B-BBEE status level certificate.
- 20.14.25.4 A Trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure for every separate tender.
- 20.14.25.5 In the event that a bidder wishes to sub-contract more than 25% of the value of the contract, to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- 20.14.25.6 A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- 20.14.25.7 Where bidders submit tenders as a Consortium or Joint Venture the contract that will guide the relationship must be attached to the tender documentation and a separate BBBEE –certificate for that specific Consortium or Joint Venture must be submitted.

20.14.26 Award of contract

- 20.14.26.1 The bidder score shall be the sum of the preference points and the pricing point obtained by an acceptable tender, each of which shall be obtained as follows:
- (i) The pricing point shall be the point calculated in the formula prescribed in Regulations 5 and 6 of the PPPFA Regulations.
- 20.14.26.2 A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the person concerned unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- 20.14.26.3 Once a Local Production and Content contract is awarded, the DTI must be notified of all the successful bidders and the value of the contracts. Copies of the contracts, MBD 6.2 Certificates together with the declaration C submitted by the successful bidders must be provided to the DTI. The DTI has the right to request for auditors certificates confirming the authenticity of the declarations made in the respect of local content.
- 20.14.26.4 A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced below the stipulated minimum threshold.
- 20.14.26.5 No tender will be awarded to any person whose tax matters have not been declared by the South African Revenue Service to be in order.

20.14.27 Non Compliance

- 20.14.27.1 Where a contract has been awarded on the basis of information, which, after the conclusion of the relevant agreement, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may have:
- Disqualify the person from the tendering process;
 - Recover all costs, losses or damages it has incurred or suffered as a result of the award of the contract;
 - Cancel the contract and claim any damages which it has suffered as a result of having to make less favorable arrangements due to such cancellations;
 - Restrict the tenderer or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, from obtaining business from any organ of state for a period not exceeding ten (10) years, after the audi alteram partem (hear the other side) rule has been applied; and
 - Forward the matter for criminal prosecution.
- 20.14.27.2 Upon detecting that a preference in terms of the PPPFA, the Regulations or this Policy have been obtained on a fraudulent basis, or any specified goals are not attained in the performance of the contract, the Municipality shall act against the person awarded the contract.

20.14.27.3 The Municipality may also request the court in terms of Section 28(1) (a) of the Prevention and Combating of Corrupt Activities Act, 2003 to add the relevant bidder's details on the Register for Tender Defaulters

20.14.28 CLEARANCE OF PROVIDERS PRIOR TO THE AWARD OF A CONTRACT

20.14.28.1 RESTRICTED PERSONS

Refer to section 114 of the MFMA and SCM TR 29

20.14.28.1.1 The Municipality must check the National Treasury and CIDBA, where relevant, database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors, is listed as companies, directors or persons prohibited from doing business with the public sector.

20.14.28.2 This list of restricted persons is managed and maintained by the Office of the CPO within the National Treasury.

MODULE 5: CONTRACT NEGOTIATIONS, ADMINISTRATION, MANAGEMENT AND CONTRACT RELATED RISK MANAGEMENT

PART 21: CONTRACTUAL COMMITMENTS

21.1 CONCLUSION OF CONTRACTS

Refer to section 116 of the MFMA and SCM TR 51

- 21.1.1 The SCM Unit must finalize the adjudication by issuing the letter of acceptance.
- 21.1.2 The acceptance of a successful bid must be in writing and must be sent by registered/certified mail or as indicated in a special condition, the principle being that there must be a mechanism of proof of delivery.
- 21.1.3 The official with the necessary delegated authority to commit the Municipality, must be satisfied that all the necessary contractual conditions have been included prior to signing.
- 21.1.4 The Municipality's contract documents shall promote uniformity across the entity.
- 21.1.5 Both parties to the contract shall sign the contract form or formal contract.
- 21.1.6 Legal copies shall be kept in a safe place for judicial reference.

21.2 FORMAL CONTRACTS

- 21.2.1 Where possible, the formal contract template must form part of the quotation/bid documents.
- 21.2.2 Formal contracts are concluded only where this is stated as a requirement in the quotation/bid document.
- 21.2.3 If a formal contract is concluded, an order must still be placed with the successful provider.

21.3 SERVICE LEVEL AGREEMENTS

- 21.3.1 A service level agreement (SLA) may be compiled and signed if required.

21.4 TIME OF CONCLUSION

- 21.4.1 The contract is concluded at the time that the letter of acceptance is posted even if the contract form and formal contract is only signed at a later date, unless stated otherwise in the quotation/bid documents.

PART 22: CONTRACT MANAGEMENT

22.1 GENERAL RESPONSIBILITY

Refer to section 65(2) and 116 of the MFMA as well as MFMA circular 62/2012

- 22.1.1 The relevant user division takes responsibility for day-to-day management and monitoring of a

contract in line with the contractual conditions.

22.2MANAGING AND ADMINISTRATING THE CONTRACT

22.2.1 The SCMU shall ensure that all reasonable steps are taken to properly enforce a contract.

22.3CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

22.3.1 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 –

22.3.2 A cap on the compensation payable to the service provider; and

22.3.3 That such compensation must be performance based.

22.4CORRECTION OF INCORRECT ACCEPTANCE

22.4.1 Mistakes in the letter of acceptance, contract form and/or formal contract must be reported immediately to the SCMU.

22.4.2 Every effort must be made without delay to recover the original letter of acceptance, contract form and/or formal contract from the contractor.

22.4.3 Where it is not possible to recover the original, all particulars of the incorrect acceptance must be reported to the AO or delegated authority together with a recommendation regarding the corrective steps that are envisaged.

22.5PLACING ORDERS

22.5.1 Placing orders is the sole responsibility of the SCMU.

22.5.2 Orders are to be placed in accordance with the contract and in accordance with the instructions of the financial policy.

22.6PLACING ORDERS NEAR THE END OF THE CONTRACT PERIOD

22.6.1 Placing orders near the end of the financial year in order to spend unused funds in the budgets are not allowed.

22.6.2 The obtaining of requirements must be restricted to what is absolutely necessary.

22.7CONTRACT MONITORING

22.7.1 Constant monitoring is essential to ensure that contractual obligations are met and that contracts run with as little disruption as possible.

- 22.7.2 The SCMU is responsible for notifying the user division timely of term contract expiry that will allow the user division sufficient time to decide whether to renew the contract.
- 22.7.3 The user division must ensure that the contractor performs according to the stipulations of the contract in delivering the goods or services on time, in the correct quantity and to the required standard and implement retention provisions where applicable.
- 22.7.4 Regular meetings with contractors to discuss progress, deliverables, foreseeable problems and/or amendments must be held during the contract period.

22.8NON-CONTRACTUAL PURCHASES

- 22.8.1 Small quantities of supplies or minor services may be procured outside of the contract in the following circumstances:
 - In cases of emergency; or
 - When the contractor's point of supply is not situated at or near the place where the supply or service is required; or
 - If the contractor's supplies or services are not readily available.
- 22.8.2 Purchases outside the contract must be restricted to requirements that are absolutely necessary to satisfy the immediate requirement and the action must always be justifiable against the contract conditions.
- 22.8.3 Acquisition procedures must in all instances be followed when procuring outside of existing contracts.

22.9PAYMENTS

MFMA section 65(2)

- 22.9.1 Under normal circumstances payment is made for supplies in accordance with the contract conditions only after they have been delivered and, where applicable, installed, in good working order, within 30 days or such timeframe as contractually agreed.
- 22.9.2 National Treasury issued Government Gazette No 37577, Municipal Regulations on Standard Chart of Accounts, which is effective 01 July 2017.
- 22.9.3 Objective: Provide a National Standard for uniform recording and classification of municipal budget and financial information at a transactional level by providing a Standardised Chart of Accounts: - aligned to budget formats and accounting standards; - enable uniform information sets across the whole of government to better inform national policy coordination and reporting, benchmarking and performance measurement.
- 22.9.4 Application of Regulations to all municipalities and municipal entities.
- 22.9.5 No exemption or transitional provisions from Regulation for the application of mSCOA to municipalities or municipal entities
- 22.9.6 Invoices submitted by suppliers must comply with mSCOA requirements from 1 July 2017. Knysna

municipality is a pilot site for mSCOA and work is underway to implement all 7 segments by 1 July 2017.

22.10 OVER/UNDER DELIVERIES

22.10.1 Over- or under-deliveries may be accepted in accordance with the AO's delegated powers.

22.11 DISCOUNT ON INVOICES

22.11.1 In cases where a discount is not a contract condition and a contractor indicates a discount on his invoice, this discount must be utilized if possible, for instance by making payment within the time limit specified on the invoice. However, orders must at all times be placed in accordance with the contract conditions, i.e. non-contractual discounts must not be taken into consideration when placing orders.

22.12 INSOLVENCY, LIQUIDATION, DEATH, SEQUESTRATION OR JUDICIAL MANAGEMENT OF CONTRACTORS

22.12.1 In terms of paragraph 26 of the GCC, the Municipality has certain options, which it may exercise in the case of insolvency.

22.12.2 The risk to the Municipality is the determining factor and the choice with the smallest degree of risk is preferred.

22.13 TRANSFER OF CESSION OF CONTRACTS

22.13.1 The contractual conditions should stipulate the conditions under which transfers/cessions shall be considered and the process to be followed in such circumstance.

22.14 TRANSFER OF CONTRACT PAYMENTS

22.14.1 Transfer of payments may be considered in cases where a contractor makes application on an official letter signed by the CEO, or any other authorized person, for monies due to the contractor, to be paid to another person or organization, such as a bank or supplier of materials.

22.14.2 Contract payments may be transferred on the recommendation of the Municipality and with the relevant Accounting Officer's or delegated authority's approval only.

22.14.3 Written confirmation must be obtained from the contractor as requests for transfer of payment received from another person or organization cannot be considered favourably.

22.14.4 Every application must be dealt with on its own merits. Favourable consideration will result only where it is not to the detriment of the Municipality and will not result in an undue administrative burden for the Municipality.

22.15 CONTRACT VARIATIONS / AMENDMENTS

Refer to MFMA section 116 and MFMA circular 62 of 2012

- 22.15.1 Contracts may be amended/varied/modified according to the AO's delegated powers to achieve the original objective of the contract.
- 22.15.2 Amendments may not materially alter the original objective; as such amendments should form part of a new bid invitation.
- 22.15.3 All contractual parties must agree to the amendment in writing.
- 22.15.4 No contract can be amended after the original contract has ceased to exist.
- 22.15.5 The extension of a contract shall be finalised before the current expiry date of the contract.
- 22.15.6 Where prices are amended for the extended period, the reasonableness of the prices must be established.

22.16 EXTENSION OF DELIVERY PERIODS

- 22.16.1 Delivery periods may be extended according to the AO's delegated powers.

22.17 AMENDMENT OF CONTRACT CONDITIONS

- 22.17.1 Amendments may be considered on their merits bearing in mind the best interest of the Municipality.
- 22.17.2 Amendments, which prejudice the Municipality, can be agreed to only with the approval of the relevant delegated authority on recommendation of the Bid Adjudication Committee.

22.18 AMENDMENT OF SPECIFICATIONS

- 22.18.1 Where a binding contract has been concluded, an amendment of the specification whether initiated by the contractor or by the Municipality, can be made only after negotiation between the contractor and the Municipality and through the facilitation of the SCMU.

22.19 CONTRACTUAL PRICE ADJUSTMENTS

- 22.19.1 The contractual conditions shall stipulate the circumstances under which price adjustments shall be considered, the intervals for adjustment, the base date for adjustments as well as the price adjustment formula and the process to be followed in such circumstances.
- 22.19.2 In cases of term contracts, price adjustments shall be considered on a quarterly basis and this condition shall be indicated in the bid document.
- 22.19.3 No price adjustments should preferably be considered for a contract period less than twelve (12) months.
- 22.19.4 The prescribed formula will be used for adjustment of prices due to the fluctuation of the indices.
- 22.19.5 Indices compiled by Statistics South Africa will be used for price adjustments.
- 22.19.6 Rate of Exchange (ROE) fluctuations are only allowed on the imported content of the commodity.

22.20 NON-CONTRACTUAL ADJUSTMENT OF PRICES

- Non-contractual adjustment of prices is normally not allowed.

22.20.1 REDUCTION OF PRICES

- The Municipality must accept price reductions after award of a contract where this is advantageous to the Municipality, unless the acceptance of the price reduction amounts to breach of contract.

22.21 UNSATISFACTORY PERFORMANCE AND CONTRACT TERMINATION

- 22.21.1 The Municipality should continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.

22.22 RESTRICTION

Refer to MFMA section 112 (1)(m&n) and SCM TR 43 & 44

- 22.22.1 The Municipality may in terms of SCM TR 43 & 44.

- 22.22.2 Disregard the bid of any bidder if that bidder, or any of its directors-

- Have abused the Municipality's SCM system;
- Have committed fraud or any other improper conduct in relation to such system; or
- Have failed to perform on any previous contract; and
- Must inform the relevant Treasury of any action taken in terms of the aforementioned paragraph.

- 22.22.3 Irrespective of the procurement process followed, no award may be made to a person:

- Who is in the service of the state;
- 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
- A person who is an advisor or consultant contracted with the Municipality

- 22.22.4 The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including:

- The name of that person;
- The capacity in which that person is in the service of the state;
- The amount of the award.

22.23 CONTRACT TERMINATION

- 22.23.1 The Municipality must cancel a contract awarded to a supplier of goods or services:

- If the supplier committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract.
- If any official or other role player committed any proven corrupt or fraudulent act during the bidding process or the execution of that contract that benefited the supplier.

- 22.23.2 Termination of a contract may be considered for a variety of reasons, as stipulated in paragraphs

21.6, 23 and 26 of the GCC, such as delayed deliveries, failing to perform any other contractual obligation or if the supplier has engaged in corrupt and fraudulent practices and insolvency.

22.23.3 Contract termination may be effected if allowed for in the contractual conditions and if both parties agree to the termination in writing.

22.24 CONTRACTS REPORTING QUESTIONNAIRE: NATIONAL TREASURY

22.24.1 The Municipality shall submit reports to National Treasury in respect of each contract concluded during that month within 15 days of the end of each month to enable the Minister of Finance to report to Cabinet and Parliament on progress made.

PART 23: LOGISTICS MANAGEMENT

23.1 GENERAL

Refer to section 39 of the MFMA

- 23.1.1 The primary function of a store is the receiving, storing, preserving as well as the issuing of store items.
- 23.1.2 It is essential that equipment or stock be stored in such a way that the possibility of loss, damage, exposure, deterioration or perishing thereof is minimized or eliminated completely. By lack of a physical store, the function must still be performed.
- 23.1.3 Duplicate keys of all lockers, cabinets, padlocks and other storage areas should be readily available and shall be controlled by a responsible delegated official.
- 23.1.4 The Accounting Officer must establish and implement an effective system of logistics management, which must include:
- The monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock.
 - The placing of manual or electronic orders for all acquisitions other than those from petty cash.
 - Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specification where applicable and that the price charged is as quoted in terms of a contract.
 - Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased.
 - Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes.
 - Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

23.2 INVENTORY MANAGEMENT

- 23.2.1 In cases where storage space is very expensive or not available, the just-in-time delivery principle must be used.
- 23.2.2 Minimum and maximum order levels for all store items shall be determined based on the usage, the lead and delivery times.

23.3 REQUISITION

23.3.1.1 Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.

23.3.1.2 Procurement processes may differ between goods and services and in some cases a process for emergency procurement may be necessary.

23.3.2 PLACING OF ORDERS

23.3.2.1 Purchase orders must be in reference to the requisitions where the supply source is either –

- *Contract; or*
- *Quotations.*

23.3.2.2 Purchase orders for imported goods and which are subjected to rate and exchange adjustments must specify that the vendor must take out a forward exchange contract in order to fix the Rand based price in the purchase order.

23.3.3 RECEIVING GOODS

23.3.3.1 Goods are received on the logistical system with reference to purchase orders.

23.3.4 RETURNING GOODS

23.3.4.1 Manage the return of goods and related third party claims.

23.3.5 WAREHOUSE MANAGEMENT

23.3.5.1 Warehousing must be provided for and located in areas appropriate to where depots are situated.

23.3.5.2 The Supply Chain must ensure for-:

- Proper financial and budgetary control.
- Uphold the principle of effective administration.
- Proper stock holding and control.
- Product standardization.
- Quality of products.
- A high standard of service levels.

23.3.6 MATCHING DOCUMENTS

23.3.6.1 Manage the payment voucher matching process.

23.3.7 PREPARATION FOR PAYMENT / ACCOUNTS PAYABLE

23.3.7.1 After documented records were received, the payment process can be initiated as prescribed through the MFMA processes and delegations

23.3.8 INVENTORY STOCK COUNT, VERIFICATION AND RECONCILIATION (INCLUDING ICN MANAGEMENT)

23.3.9 STOCK COUNT AND VERIFICATION PROCEDURES

23.3.9.1 PLANNING PHASE

SCM TR 39

- Most important part when undertaking an inventory stock count is the planning phase. The phase must set out all the steps to be taken securing the accurate count and verification is undertaken.
- Stock count should at least be done once in a financial year but could also be done on a monthly basis.

23.3.10 RECONCILIATION PROCEDURES

- The reconciliation process commences once the count and verification phase has been completed and complete count reports are available from Stock Take Team (Refer to above paragraphs 24.3.1).
- The control report must be printed en compared with the count report.
- Discrepancies must be listed from above mentioned process.

23.3.11 TREATMENT OF DISCREPANCIES

- Discrepancies are the result of shortages and or surplus stock found not equal to the quantity that appears on the control report.

PART 24: ASSET MANAGEMENT

24.1 RESPONSIBILITIES FOR ASSET MANAGEMENT

Refer to Section 63 and 96 of the MFMA and SCM TR 39

- 24.1.1 The AO of a Municipality is responsible for the management of the assets of the entity, including the safeguarding and maintenance of those assets.
- 24.1.2 The AO must take all reasonable steps to ensure that the entity has and maintains—
- A management, accounting and information system that accounts for proper assets and liabilities of the management systems of the Municipal entity; and
 - A system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

24.2 ACQUISITION POLICY

- 24.2.1 Money may only be spent on a capital budget if:
- The money for the project, excluding the cost of feasibility studies conducted by or on behalf of the Municipality has been appropriated in the capital budget.
 - Future annual operations and maintenance needs have been calculated and have been budgeted for in the operation budget.
 - The project, including the total cost, has been approved by the council.
 - Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed.
 - The Supply Chain Management policies and procedures have been adhered to.

24.3 FUNDING OF CAPITAL PROJECTS

- 24.3.1 Capital projects will not be funded over a period longer than the useful life of that asset.
- 24.3.2 Capital projects may be funded from:
- The Capital Replacement Reserve
 - The External Financing Fund - the raising of external loans
 - Donations, Grants, Subsidies and Public contributions
 - Revenue Contributions,
 - Surplus cash.

24.4 INTERNAL CONTROLS

GRAP 17 & GAMAP

- 24.4.1 An asset register must be maintained in the format determined by the CFO, which must comply with the requirements of GRAP, GAMAP and any other prescribed accounting requirements.
- 24.4.2 The Asset Register must specifically be able to account for components of assets according to

GRAP 17, standards 54 to 57.

PART 25: INVENTORY DISPOSAL

SCM TR 40

- 25.1 The selling of items must at all times be done in a fair / competitive and scrupulous manner.
- 25.2 Notice of the selling of assets must be given at least 14 days prior to the actual selling date and all possible buyers must be informed.
- 25.3 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.
- 25.4 The disposal committee will determine the most advantageous method of disposal.
- 25.5 The AO will approve sale of movable assets as per delegation.
- 25.6 Assets can be sold in one of the following categories-:
- As a lot.
 - As an individual item.
 - As scrap.
- 25.7 In all cases, lot numbers must be allocated to each lot/item and a date and time must be stipulated on the notice of selling as to when potential buyers can view the items up for selling.
- 25.8 The notice of selling must contain the following information:
- Closing time and date for bids.
 - Date and time and place when and where the items can be viewed by potential buyers.
 - The condition of sale.
- 25.9 Only officials who had been authorized in writing are allowed to handle government revenue.
- 25.10 In the case of free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- 25.11 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.
- 25.12 The BAC will approve the trade-in of assets, ensuring that the highest possible trade-in price is obtained, taking into account the cost-effectiveness of any alternatives.

PART 26: DISPOSAL OF IMMOVABLE ASSETS

26.1 PREPARATION

MATR, 2008

- 26.1.1 Council is permitted to dispose or let immovable property in its ownership, on a long term or short term basis, by way of Private Treaty or Open Bid for development purposes aligned with its strategic objectives.
- 26.1.2 Where possible, Council's immovable property should be managed as a sustainable resource by leveraging environmental, social and economic returns on such immovable property while Council retains ownership thereof.
- 26.1.3 Unless otherwise provided for in this Policy, vacant or improved immovable property shall be disposed of or let at a fair market related rental except when the public interest or the plight of the poor demands otherwise.
- 26.1.4 All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be reviewed annually.
- 26.1.5 All applications to dispose of or lease immovable property must be considered in accordance with this Policy Framework and other applicable legislation.
- 26.1.6 Unless otherwise provided herein, the disposal of or letting of viable immovable property by Council, shall be affected by means of a process of public competition/open bid.
- 26.1.7 Previously Disadvantaged Individuals, who are South African citizens, will be afforded preference in terms of the Municipality's Supply Chain Management Policy in respect of the disposal of or letting of viable immovable properties as embodied in Section 9 (2) of the Constitution.
- 26.1.8 In order to achieve the objective of Broad Based Black Economic Empowerment, Council reserves the right to limit the number of leases per bidder in the course of a bid process.
- 26.1.9 No application shall be processed unless the prescribed application fee or tariff has been paid nor shall any proposed lease be advertised unless the applicant has confirmed, in writing, that it will bear all costs involved in such transaction including, but not limited to, Legal, Survey, Re-zoning, Sub-division, Consolidations, Advertisement, Relocation or provision of services and, where applicable, a deposit as per prescribed rate to cover incidental costs.

26.2PROCESS

26.2.1 ADVERTISEMENT PROCESS

- This process applies to properties exceeding the value of R 10 m and/or exceeds a period of 3 years.

26.2.2 APPLICATION PROCESS

- Applications must:
 - Be made on the prescribed forms (if applicable).
 - All applications must be accompanied by a covering letter on the letterhead of the person, organisation or body, signed by the Head of the Organisation or body and must include the following information:
 - *Date of application;*
 - *Contact details of the organisation or body;*

- *Date established;*
- *Type of organisation;*
- *Registration number;*
- *Banking details;*
- *References;*
- *Confirmation of adherence to all conditions;*
- *Checklist of supporting documentation; and*
- *Prescribed declarations.*

MODULE 9: RISK AND PERFORMANCE MANAGEMENT

PART 27: RISK MANAGEMENT

27.1 RESPONSIBILITY FOR RISK MANAGEMENT

Refer to SCM TR 41

- 27.1.1 The AO shall ensure that the Municipality has and maintains an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system.
- 27.1.2 Aspects of risk management shall be allocated to the CFO, the SCM practitioners, the internal audit function and the Audit Committee, each of which shall ultimately be accountable to the AO for the discharge of their responsibilities.

27.2 APPLICATION OF RISK MANAGEMENT IN SCM

- 27.2.1 The Municipality shall, where applicable, apply Treasury Guidelines on Risk Management.
- 27.2.2 The Accounting Officer or delegated authority shall determine the Municipality's risk appetite.
- 27.2.3 Risks shall be identified upfront on a case-by-case basis.
- 27.2.4 Risks shall be allocated to the party best able to manage such risk.
- 27.2.5 The Municipality must bear the cost of risks where the cost of transferring risk is greater than that of retaining such risk and it must transfer the risk where this is not the case.
- 27.2.6 Risk must be managed in a pro-active manner and must make provision for adequate cover for residual risks.
- 27.2.7 The bid and contract documentation must clearly state to whom the risk has been allocated and who should take responsibility for managing it.

PART 28: GUARANTEES

Refer to MFMA s50

28.1 National and provincial guarantees

Neither the national nor a provincial government may guarantee the debt of a Municipality or municipal entity, except to the extent that Chapter 8 of the Public Finance Management Act, 1999 provides for such guarantees.

“debt” means— (a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or (b) a **contingent liability such as that created by guaranteeing a monetary liability or obligation of another;**

28.2 Municipal guarantees

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

- (a) The guarantee must be within limits specified in the Municipality’s approved budget;
- (b) a Municipality may guarantee the debt of a municipal entity under its sole control only if the guarantee is authorised by the council in the same manner and subject to the same conditions applicable to a Municipality in terms of this Chapter if it incurs debt;
- (c) a Municipality may guarantee the debt of a municipal entity under its shared control or of any other person, but only with the approval of the National Treasury, and then only if—
 - (i) the Municipality creates, and maintains for the duration of the guarantee, a cash-backed reserve equal to its total potential financial exposure as a result of such guarantee; or
 - (ii) the Municipality purchases and maintains in effect for the duration of the guarantee, a policy of insurance issued by a registered insurer, which covers the full amount of the Municipality’s potential financial exposure as a result of such guarantee.

28.3 Guarantees, indemnities and securities by Councillors

A Councillor, with the written concurrence of the Executive Mayor (given either specifically in each case or generally with regard to a category of cases and subject to any conditions approved by the Executive Mayor), may issue a guarantee, indemnity or security which binds—

- (a) the Municipal Revenue Fund in respect of a financial commitment incurred or to be incurred by the Councillor; or
- (b) a municipal entity in respect of a financial commitment incurred or to be incurred by that entity.

Any payment under a guarantee, indemnity or security issued in terms of—

- (a) subsection (1)(a), is a direct charge against the Municipal Revenue Fund, and any such payment must in the first instance be defrayed from the funds budgeted for in the department that is concerned with the issue of the guarantee, indemnity or security in question; and
- (b) subsection (1) (b), is a charge against the municipal entity concerned.

A Councillor who seeks the Executive Mayor’s concurrence for the issue of a guarantee, indemnity or security in terms of subsection (1)(a) or (b), must provide the Mayor with all relevant information as the Mayor may require regarding the issue of such guarantee, indemnity or security and the relevant financial commitment. The

responsible Councillor must at least annually report the circumstances relating to any payments under a guarantee, indemnity or security issued in terms of subsection (1)(a) or (b), to the Municipal Council.

PART 29: SCM PERFORMANCE REVIEW

29.1 ASSESSMENT/MEASUREMENT OF SUPPLY CHAIN PERFORMANCE

- 29.1.1 The Municipality shall measure and monitor the SCM Policy and process through a performance measurement system to ascertain whether government's objectives and targets set have been achieved. In this regard complete records pertaining to SCM will be kept.
- 29.1.2 The Municipality shall monitor and assess the performance of all contractors during the contract period.

PART 30: OPTIMAL SYSTEM UTILISATION

- 30.1 An electronic SCM system interfacing and integrating with the financial system of the Municipality may be instituted.

PART 31: ORDER TYPES

Requisition amount (incl. VAT)	Order Type	Procedure	Approval
Less than R2000 and Petty cash	A order	Requisition to be completed by initiator & authorizer.	Within the delegated framework.
R2001 to R10 000 (compliant i.e. 3 quotes)	B order	Requisition to be completed by initiator & authorizer.	Within the delegated framework.
R10 001 to R30 000	C order	User department provide specifications to SCM. Advertise on notice board and website for three (3) days. Quotes will be forwarded to user department to indicate compliance with specifications. Acceptable quote to be used for requisition. Requisition to be completed by initiator & authorizer.	Within the delegated framework.
R2001 & above (non-compliant)	D order	The reason for non-compliance can only be one of the following: (i) Emergency (A serious, unexpected, and often dangerous situation requiring immediate action) – followed by the justification; (ii) Sole supplier – followed by the justification;	Deviation memo must be attached reflecting the reason and including a justification. Must be signed off by the

		<ul style="list-style-type: none"> (iii) Acquisition of animals for zoos and /or nature and game reserves; (iv) Acquisition of special works of art or historical objects; (v) Exceptional cases where it is impractical or impossible to follow the official procurement processes - followed by the justification; (vi) 3 quotes could not be obtained (proof of requesting the 3 or more quotes must be attached); or (vii) Contracts previously entered into or inherited in terms of Section 164(2) of MFMA. 	<p>relevant Manager & Director.</p> <p>Approvals will be within the delegated framework.</p>
Grant in aid	G order	Requisition to be completed by initiator & authorizer. Minutes of Grant in aid committee to be attached to requisition.	To be authorized by the Director Corporate Services
Statutory: Payments that MUST be made. Legislative requirement	S order	<p>Requisition to be completed by initiator & authorizer. Invoice to be attached to requisition.</p> <p>Statutory: Bulk electrical purchases, prepaid electrical purchases for offices, vehicle licence and registration fees, Salga, Refuse site PetroSA, Transnet, interest and redemption, medical aid payments, Eden shop stewards, AG, Investments, Compensation Commissioner, SABC, ICASA, other municipalities, IMFO, SACPLAN, Registrar of Deeds, NHLS, SAMRO, Compliance institute, all government departments, Bizrev, Western Cape Economic Development Partnership</p>	To be authorized by the Director of the department responsible for the function
RFQ process	R order	Properly documented process within the prescribed framework.	Approvals will be within the delegated framework.
Tender process	T order	Properly documented process within the prescribed framework.	Delegated committees.

PART 32: TERMINOLOGY

32.1 ABBREVIATIONS

BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
AO	Accounting Officer
CFO	Chief Financial Officer
CPO	Chief Procurement Official at the National Treasury
CIDB	Construction Industry Development Board
DTI	Department of Trade and Industry
FM	Financial Manager
GCC	General Conditions of Contract
MUNICIPALITY	Municipality of Knysna

MSA	Municipal Systems Act, 2000 (act 32 of 2000)
MTEF	Medium Term Expenditure Framework
MFMA	Municipal Finance Management Act (Act 56 of 2003)
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
RDP	Reconstruction and Development Programme
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
SAPS	South African Police Services
SARS	South African Revenue Services
SBD	Standard Bidding Documents
SCM	Supply Chain Management
SCM TR	Supply Chain Management Treasury Regulations, 2005
SCMU	SCM Unit
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise
SP	Service Provider
TCO	Total Cost of Ownership
TOR	Terms of Reference

32.2 DEFINITIONS

A-CLASS ITEMS	A-class items are those items which are not consumable or expendable
ACQUISITION MANAGEMENT	Acquisition management is the process of procurement of goods or services and includes the: <ul style="list-style-type: none"> <input type="checkbox"/> Evaluation of bids and tabling of recommendations; <input type="checkbox"/> Compilation and signing of contract documents; and <input type="checkbox"/> Contract administration and management.
ASSET	Is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics: <ul style="list-style-type: none"> <input type="checkbox"/> It possesses service potential or future economic benefit that is expected to flow to the entity. <input type="checkbox"/> It is controlled by the entity. <input type="checkbox"/> It originates as a result of a past transaction or event.
BROAD BASED BLACK ECONOMIC EMPOWERMENT	Means the viable economic empowerment of all black people including, in particular women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to— <ul style="list-style-type: none"> (a) increasing the number of black people that manage, own and control enterprises and productive assets; (b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises; (c) human resource and skills development; (d) achieving equitable representation in all occupational categories and levels in the workforce; (e) preferential procurement from enterprises that are owned or managed by black people; and (f) Investment in enterprises that are owned or managed by black people.
BLACK PEOPLE	Black people is a generic term which mean Africans, Coloureds and Indians – <ul style="list-style-type: none"> (a) Who are citizens of the Republic of South Africa by birth or descent; or (b) Who became citizens of the Republic of South Africa by naturalisation – <ul style="list-style-type: none"> (i) Before 27 April 1994 (ii) On or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.
COMPETITIVE BID	Means a bid in terms of a competitive bidding process.
DEMAND MANAGEMENT	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs and

	<p>is inclusive of, but not limited to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Identification of preferential policy objectives; <input type="checkbox"/> Determination of market strategy; <input type="checkbox"/> Application of depreciation rates; <input type="checkbox"/> Application of total cost of ownership principle; <input type="checkbox"/> Compilation of bid documentation, including conditions; and <input type="checkbox"/> Determination of evaluation criteria.
DEPRECIATION	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived at.
DESIGNATED SECTOR	Means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactures goods meet the stipulated minimum threshold for local production and content.
DISPOSAL MANAGEMENT	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
E-CLASS ACCOUNTABLE	Accounting in respect of those stores approved by the Treasury as consumables.
E-CLASS ITEMS	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
ECONOMIC PRINCIPLE	Obtain the highest possible output for the lowest possible use of resources.
ECONOMY OF SCALE	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
EMERGENCY PROCUREMENT	<p>Means emergency as referred to in paragraph 36(a)(i):</p> <ul style="list-style-type: none"> (a) The conditions warranting emergency procurement should include the existence of one or more of the following: <ul style="list-style-type: none"> (i) The possibility of human injury or death; (ii) The prevalence of human suffering or deprivation of rights; (iii) The possibility of damage to property, or suffering and death of livestock and animals; (b) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole; (c) The possibility of serious damage occurring to the natural environment; (d) The possibility that failure to take the necessary action may result in the Municipality not being able to render an essential community services; and (e) The possibility that security of the state could be compromised; <p>The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measure, in order to allow time for the formal procurement process. Emergency procurement shall not be granted in respect of circumstances other than those contemplated above.</p>
EQUIPMENT	A-class accountable stores that are issued and accounted for on an inventory.
FINAL AWARD	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote is accepted
FUNCTIONALITY	Means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designated to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer.

INTEGRATED SCM	The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.
IN THE SERVICE OF THE STATE	As per SCM TR means to be – (c) A member of – (i) Any municipal council (ii) Any provincial legislature, or (iii) The National Assembly or the National Council of Provinces (d) A member of the board of directors of any municipal entity (e) An official of any Municipality or municipal entity (f) 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 1 of 1999) (g) A member of the accounting authority of any national or provincial public entity (h) An employee of Parliament or a provincial legislature and is inclusive of 'staff' and 'official'.
INVENTORIES	Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.
INVENTORY (MOVABLE ASSETS) MANAGEMENT	It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.
ITEMS	An individual article or unit.
LIFECYCLE COSTING	Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
LIST OF ACCREDITED PROSPECTIVE PROVIDERS	Means a list of accredited prospective providers which the Municipality / municipal entity must keep in terms of Part 16 of this SCM Policy and SCM TR 14
LOCAL CONTENT	Means that portion of the tender price, which is not included in the imported content, provided that local manufacture does take place.
LOGISTICS MANAGEMENT	Logistics management ensures that goods and services are available at the right place, time and quantities required to execute the functions of the Municipality and may include stores.
LONG TERM CONTRACT	Means a contract with a duration period exceeding one year for SCM related contracts and a period of three years for immovable assets as per the MATR.
MEASURABLE OBJECTIVES	Measurable objectives identify very specific activities that the Municipality intends performing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
MOVABLE ASSETS	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc.). All inventories and valuables and some fixed assets belong to this category.
NET PRESENT VALUE (NPV)	The sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
OBSOLETE	No longer produced or used, out of date, to become obsolete by replacing it with something new.
OTHER APPLICABLE LEGISLATION	Means any other legislation applicable to municipal supply chain management listed in Part 3 of the SCM Policy
PETTY CASH	Means a small amount of cash kept on hand for incidental purchases of low value goods and services, which cannot be accommodated through purchasing procedures. Petty cash may not be used for payroll payments, inventory, capital goods and other personal obligations.
PRACTITIONER	A person who practices a profession or art.
REDUNDANT	No longer needed or useful, superfluous (unnecessary).
SALVAGE	The act of saving any goods or property in danger of damage or destruction.

SMALL, MEDIUM AND MICRO ENTERPRISE (SMME)	SMME is as defined in the National Small Business Act, 102 of 1996, as amended.
SOLE SUPPLIER	It refers to instances where there is no competition and only one service provider exist in the market, with sole distribution rights and or patent rights or manufacturer.
STIPULATED MINIMUM THRESHOLD	Means that portion of local production and content as determined by the Department of Trade and Industry.
STORES/STOCK	All movable state property/assets that are kept in stock for issue purposes.
STRATEGIC GOALS	Strategic goals are areas of institutional performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the Municipality. It is useful to think of strategic goals as outcomes to be achieved by the Municipality.
STRATEGIC OBJECTIVES	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the Municipality intends doing in order to achieve the strategic goals it has set for itself, as such strategic objectives would normally describe high-level outputs or "results" of actions that the institution intend taking.
SCM	SCM (SCM) is an integral part of financial management. This function integrates the planning, procurement and provisioning processes, seeks to introduce international best practices, whilst at the same time addressing Government's preferential procurement policy objectives
STRIP AND QUOTE	When the repairs and maintenance on our machines, vehicles and IT equipment are done by one supplier and or strip-and-quote. The supplier must be authorised to work on the vehicle or equipment to ensure the warranty and guaranties can be kept.
TREASURY GUIDELINES	Means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA
'THE ACT'	Means the Local Government Municipal Finance Management Act, 2003 (Act no 56 of 2003) - MFMA
'THE REGULATIONS'	Means the Local Government Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005
VALUE FOR MONEY	Means that the performance of a private party in terms of the agreement will result in a net benefit to the institution defined in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.

TARIFF POLICY 2016/17

KNYSNA MUNICIPALITY



TARIFF POLICY

Effective from 1 July 2016

INDEX

<i>1. OBJECTIVE.....</i>	<i>3</i>
<i>2. DEFINITIONS.....</i>	<i>3</i>
<i>3. ABBREVIATIONS.....</i>	<i>5</i>
<i>4. PURPOSE OF THIS POLICY.....</i>	<i>5</i>
<i>5. TARIFF PRINCIPLES</i>	<i>6</i>
<i>6. CATEGORIES OF CONSUMERS.....</i>	<i>8</i>
<i>7. SERVICE AND EXPENDITURE CLASSIFICATIONS</i>	<i>8</i>
<i>8. TARIFF TYPES</i>	<i>10</i>
<i>9. TARIFF STRUCTURES AND METHODS OF CALCULATIONS.....</i>	<i>11</i>
<i>10. CAPITAL CONTRIBUTIONS.....</i>	<i>20</i>
<i>11. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES</i>	<i>20</i>
<i>12. IMPLEMENTATION OF THE POLICY.....</i>	<i>20</i>
<i>13. ADJUSTMENT OF ACCOUNTS.....</i>	<i>20</i>
<i>14. SHORT TITLE</i>	<i>20</i>

1. OBJECTIVE

The objectives of this policy are to ensure that-

- All consumers within a specific category are treated equally and reasonably.
- The income base of the municipality is optimally safeguarded by only approving exemptions, reductions and rebates that are reasonable and affordable.
- The principles supporting the Councils Mission, Vision and IDP are supported.
- Municipal tariffs are set in a manner that promotes the provision of reliable, sustainable and affordable services to all.

2. DEFINITIONS

In this tariff policy, unless the context otherwise indicates –

“availability tariff” means where properties are not connected to the municipal infrastructure but can reasonably be connected to the service;

“basic charge” also referred to as a minimum charge, is the recovery of the distribution and billing-related costs, which include having a distribution system in place, plus the cost of the meter, servicing and reading the meter, mailing the bills and maintaining customer records;

“business” means the activity of buying, selling or trading in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of agriculture, farming or, inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms;

“commercial or industrial consumers” means industrial undertakings, factories, warehouses, workshops, scrap yards, wine cellars, abattoirs, dairy processing plants, fish markets and suchlike consumers;

“community service” means services in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature;

“consumer” means the owner of a premises, regardless of whether it is domestic, commercial, industrial or any other type and who has entered into an agreement with the Municipality for the supply of a service. A consumer must only be the owner and not a tenant or lessee;

“the council” means Knysna Municipal Council, and "municipal council" shall have a corresponding meaning;

“domestic consumers” means residential properties, group housing, town houses, semi-detached houses and suchlike properties;

“due date”–

- (a) in relation to accounts payable monthly on a recurring basis, the last day of the month which follows on the month during which an account is rendered;
- (b) in relation to accounts payable annually, 31st July unless otherwise provided by any other law; and
- (c) in all other instances, as and when demand for payment is made by the Municipality;

“economic services” means services in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers;

“educational institutions” means schools and suchlike institutions;

“fixed costs” means costs which do not vary with consumption or volume produced;

“indigent households” means households that are registered at the municipality as such and meet the municipality's criteria in terms of its credit control and debt collection policy and occupying a property within the jurisdiction of the municipality and "poor households" shall have a corresponding meaning;

“MFMA” means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);

“minimum charge” shall refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time.

“MSA” means the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);

“owner” in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors;

“public benefit organisations” means public benefit organizations as defined in Section 30 of the Income Tax Act No 58 of 1962;

“resident” means a person who ordinarily resides in the municipal area;

“service charge” means the charged levied for the provision of a service on a daily, monthly or annual basis;

“special agreements” means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and that create job opportunities;

“sport and recreation facilities” means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption;

“total cost” means the sum of all fixed and variable costs associated with a service;

“trading services” means services referred to in paragraph (7)(a) and in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services;

“units consumed” means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in paragraph 9;

“variable costs” means costs that vary with consumption or volume produced;

“VAT” means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended.

3. ABBREVIATIONS

Kg – Kilogram
Kl – Kilolitre, 1000 litres
kVa – KiloVolt Ampere
kWh – Kilowatt Hour
m³ - Cubic meter

4. PURPOSE OF THIS POLICY

- (1) The Knysna Municipality wishes to achieve the following objectives by adopting this tariff policy:
 - (a) To comply with the provisions of section 62 (1)(f) of the MFMA.
 - (b) To comply with the provisions of section 74 of the MSA.
 - (c) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the MSA.
 - (d) To give guidance to the Executive Mayor regarding tariff proposals that must be submitted to the council annually during the budget process.

5. TARIFF PRINCIPLES

- (1) In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- (2) The Municipality wishes to record that the following tariff principles will apply:
 - (a) Service tariffs imposed by the municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the financial ability of the relevant user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the relief measures for poor households and deserving categories of users approved by the municipality from time to time).
 - (b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- (3) Tariffs for the two major services rendered by the municipality, namely:
 - (a) electricity
 - (b) water

shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff, which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

- (4) The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the two major services generate an operating surplus each financial year of 10% or such percentage as the council may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both.
- (5) In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
- (6) The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be disclosed to users.
- (7) The municipality shall ensure that its tariffs shall be readily understandable by all users affected by the tariff policy.

- (8) The municipality undertakes to render its service costs effectively in order to ensure the best possible cost of service delivery.
- (9) The consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.
- (10) The municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.
- (11) In considering the costing of its water, electricity and sewerage services; the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may imply that the services may at times or for certain periods operate at less than full capacity, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.
- (12) The municipality shall, by adopting what is fundamentally a two-part tariff structure, namely a fixed minimum charge coupled with a charge based on consumption, endeavour to address the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- (13) Part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.
- (14) A property used for multiple purposes must for purposes of these tariffs be assigned to a category determined by the council for properties used for a purpose corresponding with the dominant use of the property if the municipality cannot readily make an apportionment in relation to the services concerned and the categories of users.

- (15) In order to provide the municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time. The level of the deposits shall be revised annually depending on the defaults instances.

6. CATEGORIES OF CONSUMERS

- (1) Separate tariff structures may be imposed for the following categories of consumers (which the council may change):
- (a) domestic consumers;
 - (b) commercial consumers;
 - (c) industrial consumers;
 - (d) agricultural consumers;
 - (e) municipalities;
 - (f) consumers with whom special agreements were made;
 - (g) consumers in certain geographical areas;
 - (h) sport and recreation facilities;
 - (i) educational institutions; and
 - (j) public benefit organisations and suchlike institutions.
- (2) Where substantially different demands are made on the infrastructure to provide a service to a specific group of users within a category or the standard of services required by such users, the Council may, after having considered a report by the Municipal Manager or the relevant Director, determine differentiated tariffs for the different consumers within the specific category.
- (3) The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.
- (4) If, for purposes of determining the tariff applicable to a particular user or category of users, the user or category of users has not specifically by definition been included under a defined category of users, the Chief Finance Officer shall, by applying the closest match principle, determine the category under which the user or category of users fits in best taking into account the nature of the service concerned and the user or category of users involved.

7. SERVICE AND EXPENDITURE CLASSIFICATIONS

Service classification

The Chief Financial Officer may, subject to the guidelines provided by the National Treasury and the Executive Mayoral Committee of the council, make provision for the following classification of services:

- (a) Trading services**
Water.
Electricity.

(b) Economic services

Solid waste.

Waste water.

(c) Community services

- (i) Air pollution.
- (ii) Fire fighting services.
- (iii) Local tourism.
- (iv) Town planning.
- (v) 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.
- (vi) Stormwater management system in built-up areas.
- (vii) Trading regulations.
- (viii) Fixed billboards and the display of advertisements in public places.
- (ix) Cemeteries.
- (x) Control of public nuisances.
- (xi) Control of undertakings that sell liquor to the public.
- (xii) Facilities for accommodation, care and burial of animals.
- (xiii) Fencing and fences.
- (xiv) Licensing and control of undertakings that sell food to the public.
- (xv) Local amenities.
- (xvi) Local sport facilities.
- (xvii) Municipal parks and recreation.
- (xviii) Municipal roads.
- (xix) Noise pollution.
- (xx) Pounds.
- (xxi) Public places.
- (xxii) Street trading/street lighting.
- (xxiii) Traffic and parking.
- (xxiv) Building control.
- (xxv) Licensing of motor vehicles and transport permits.
- (xxvi) Nature reserves.

(b) Subsidised services

- (i) Libraries and museums.
- (ii) Proclaimed roads.
- (iii) Street lights.

Expenditure classification

Expenditure will be classified in the following categories:

(a) Subjective classification:

- (i) Salaries, wages and allowances;
- (ii) Bulk purchases;
- (iii) General expenditure;
- (iv) Repairs and maintenance;
- (v) Capital charges (interest and redemption)/depreciation;
- (vi) Contribution to fixed assets;
- (vii) Contribution to funds:

- (a) Bad debts;
- (b) Working capital; and
- (c) Statutory funds.
- (viii) Contribution to reserves;
- (ix) Gross expenditure;
- (x) Less charge-out;
- (xi) Net expenditure;
- (xii) Income; and
- (xiii) Surplus/Deficit.

(b) Objective classification:

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated:
- (ii) Department.
- (iii) Section/service.
- (iv) Division/service.
- (v) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

Cost elements

- (a) The following cost elements will be used to calculate the tariffs:
 - (i) Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable and any other costs as determined by the Council from time to time.
 - (ii) Variable cost: This includes all other variable costs.
 - (iii) Total cost: consist of the fixed cost and variable cost.

8. TARIFF TYPES

In determining the type of tariff applicable to the type of service the municipality shall make use of the following options or a combination of the same.

Single tariff:

This tariff shall consist of a cost per unit consumed.

Cost related two to three part tariff: electricity

This tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

Inclining block tariff: electricity

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidised free basic services and to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

Declining block tariff: electricity

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit, determined by council from time to time, by the volume consumed. This tariff will only be used for special agreements.

Regulating tariff: electricity

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.

Time-of-use tariff: electricity

This tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.

9. TARIFF STRUCTURES AND METHODS OF CALCULATIONS

Calculation of Tariffs for Major Services

In order to determine the tariffs, to be charged for the supply of water and electricity, the municipality shall endeavour to include at least the operational costs of the undertakings concerned.

To determine the **basic or minimum charge** the following categories within the operating budget will be included as a basis for calculation.

- Capital costs (interest on loans)
- Maintenance of infrastructure and other fixed assets
- Salary costs
- Depreciation expenses

To determine the **unit charge** the following categories within the operating budget will be used as a basis for calculation

- Cost of bulk purchases in the case of electricity
- Distribution costs (General Expenses)
- Distribution losses
- Administration and service costs, including:

- (i) service charges levied by other departments such as finance, human resources and legal services;
- (ii) reasonable general overheads, such as the costs associated with the office of the municipal manager;
- (iii)adequate contributions to the provisions for bad debts and obsolescence of stock;
- (iv)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 intended surplus to be generated for the financial year, such surplus to be applied:

- (i) as an appropriation to capital reserves; and/or
- (ii) generally in relief of rates and general services; and/or
- (iii) the cost of approved indigent relief measures.

The municipality shall provide the first 50kWh of electricity per month to prepaid consumers on an electrification scheme 20 Amp circuit breaker. The municipality shall further consider relief in respect of the tariffs for sewerage, water and refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget.

Multiple step inclining block tariffs are utilised to enable the consumer to exercise control over the cost to themselves.

The following tariff structure will, where possible, be used to determine tariffs:

Water

- (a) Fixed costs plus rising block tariffs will apply to all consumers excluding:

- (i) Industrial and commercial consumers.
- (ii) Schools.
- (iii)Sports Bodies.
- (iv)Old Age Homes.
- (v) Municipal Buildings.
- (vi)Farms.

The following blocks will apply:

Normal Domestic Steps
0 – 6 Kl
7 – 10 Kl
11 – 20 Kl
21 – 30 Kl
31 – 40 Kl
Greater than 40 Kl

- (b) Method of calculation
 - (i) Domestic consumers using less than the applicable minimum per month will receive the appropriate 6 Kl free water.
 - (ii) The fixed costs of the service shall consist of the costs indicated as such by the council.
 - (iii) The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.
 - (iv) Where properties are not connected to the water service but can reasonably be connected to the service an **availability tariff** will be payable.
 - (v) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- (c) Drought tariffs

i. Drought Situation Stage 1

An additional 50% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 60% or the river flow is at 200 litres per second and when consumption is more than 20kl per month

ii. Drought Situation Stage 2

An additional 75% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 40% or the river flow is at 200 litres per second and when consumption is more than 20kl per month

iii. Drought Situation Stage 3

An additional 100% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 30% or the river flow is at 200 litres per second and when consumption is more than 20kl per month

Electricity

- (a) Tariff structure
 - (i) Maximum demand (kVA) plus fixed tariff plus kWh consumed.
 - (ii) Fixed tariff plus kWh consumed.
 - (iii) Unit tariff (KWh consumed) (Pre-payment meters).
- (b) Method of calculation
 - (i) Guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.

- (ii) To recover the capital cost of supplying electricity through a fixed charge will make electricity unaffordable to many low consumption users. Cross subsidisation between and within categories of consumers will be allowed based on the load factors of the categories and consumers within the category. Portions of the fixed costs will be recovered through an energy or time-of-use charge. To apply the abovementioned principle the cost allocation basis, cost groupings, tariff components and tariff types reflected in the following tables will be used.

Cost groupings	Underlying cost-allocation bases		
	Capacity costs: expressed as Rands/kVa /month	Variable costs: expressed as Cents/kWh	Customer specific costs: expressed as rands /customer/month
Purchase cost	√	√	
Capital costs	√	√	√
Support costs	√		√

	Tariff components			
Tariff types	Fixed charge (rands/customer/ month)	Energy charge (cents/kWh)	Time-of-use energy charge expressed as (cents/kWh)	Capacity charge expressed as (rands/kVa/ month)
One-part single energy rate tariff (Lifeline tariff)		√		
Two-part tariff	√	√		
Two-part time- of-use tariff	√		√	
Three-part tariff	√	√		√
Three-part time-of-use	√		√	√

- (iii) The one-part single energy rate tariff:
1. For the one-part single energy rate tariff, all costs are expressed in a single cents/kWh charge. The recommended methodology for allocating costs into this tariff is as follows:
 2. The rands/kVa/month cost must be allocated into a cents/kWh charge through consideration of the average load factor of the

types of customer who are likely to use the one-part single energy rate tariff.

3. The rands/customer/month fixed cost should also be allocated into the cents/kWh charge and allocated to the kWh purchase costs in such a way as to ensure that at a level of monthly consumption of 400 kWh, the full amount of the fixed costs would have been recovered through the cents/kWh charge.
- (iv) The two-part tariff:
1. The rands/kVa/month charge must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to choose the two-part tariff. This reallocated charge must then be added to the kWh purchase charge.
 2. The rands/customer/month charge is not reallocated into other tariff elements.
 3. The tariff then consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.
- (v) The two-part time-of-use tariff:
1. The rands/kVa/month charge must be reallocated into different time-of-use cents/kWh charges through consideration of the load curve of the customer in relation to the load curve of the supplier. Such reallocated charges must then be added to the kWh purchase charges, as appropriate.
 2. The rands/customer/month charge is not reallocated.
- (vi) The three-part tariff:
1. The rands/kVa charge recovers the capital cost elements. Some of this cost must be reallocated into different tariff elements.
 2. The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa costs.
 3. The rands/customer/month charge is not reallocated.
- (vi) The three-part time-of-use tariff:
1. As with the standard three-part tariff, a portion of the rands/kVa/month charge is reallocated into the various time-of-use cents/kWh charges. The amount of the reallocation takes place with regard to the customer's load factor. The time-variation of the capacity costs is taken into account in the reallocation of the rands/kVa charge into the various time-of-use cents/kWh charges.
 2. The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa charges.
 3. The rands/customer/month charge is not reallocated.

Where council decides to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.

Where properties are not connected to the electricity service but can reasonably be connected to the service an availability tariff will be payable. The Town Electrical Engineer will annually determine the tariff.

Solid Waste (Refuse removal)

(a) Tariff structure

- (i) Plastic bags per week (volume 85 litre per bag)
- (ii) Containers per week / Wheelie Bin (volume 240 litre)
- (iii) Bulk Container (volume 1100 litre)
- (iv) Bulk Container (volume 770 litre)
- (v) Tonnage charge

(b) Method of calculation

- (i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service.
- (ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
- (iii) A monthly rental for the usage of a bulk container will be determined by discounting the purchase price of a bulk container over 5 years at an interest rate applicable to municipal loans. An additional 15% will be charged as an administration charge.
- (iv) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers, tariffs will be determined based on the estimated volume that will be removed per month.
- (v) Costs for once-off removals will be calculated per truckload.
- (vi) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.
- (vii) A refuse removal tariff will be raised and is payable by all owners or occupiers of each developed property connected to the water and electricity distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.
- (viii) No refuse removal tariffs will be raised in areas where council has not introduced a refuse removal service.

- (c) Reallocation of consumers due to excessive consumption.

Where a consumer is found exceeding the allowed tariff applicable to their allowed category for a period exceeding three months;

1. They will be moved to the appropriate corresponding tariff from the beginning of the current financial year.
2. They may approach Council for reinstatement to the original tariff after a period of 12 months.

Waste Water (Sewerage/emptying of conservancy tanks)

(a) Tariff structure

- (i) Number of properties connected to the sewerage reticulation network.
- (ii) Volume of tanker vehicle.

(b) Method of calculation

- (i) A fixed basic charge will be payable for each property connected to the sewerage reticulation network.
 1. Domestic
 2. Business
- (ii) Where properties are not connected to the sewerage network but can reasonably be connected to the service an **availability tariff** will be payable. The tariff will be calculated by adding a surcharge to the fixed costs applicable to connected consumers per category.
- (iii) An effluent charge will be charged to promote more efficient use of council's sewerage infrastructure.
- (iv) The cost of emptying conservancy tanks will be based on the volume disposed, including an additional charge per kilometre for areas in excess of 10 kilometres from the Treatment Works.
- (v) For the operation of the septic tank effluent drainage system [STED] in Smutsville and Sizamile an annual sewerage charge shall be levied for the effluent discharged into the Council's sewer system.
- (vi) In respect of the vacuum tanker removals from the STED system no charge shall be levied by Council for such service.

Calculation of minor tariffs

- (i) All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in paragraph 3(4)) shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when

charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

- (ii) All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.
- (iii) The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned:
 - a) burials and cemeteries
 - b) rentals for the use of municipal sports facilities
- (iv) The following services shall be considered as community services, and no tariffs shall be levied for their use:
 - a) municipal museum and art gallery
 - b) disposal of garden refuse at the municipal tip site
 - c) municipal reference library
 - d) municipal lending library (except for fines set out below)
- (v) The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:
 - a) maintenance of graves and garden of remembrance (cremations)
 - b) housing rentals
 - c) rentals for the use of municipal halls and other premises (subject to the proviso set out below)
 - d) building plan fees
 - e) sales of plastic refuse bags
 - f) sales of refuse bins
 - g) cleaning of stands
 - h) new connection fees: electricity, water, sewerage
 - i) photostat copies and fees
 - j) clearance certificates for purposes of property transfers
 - k) town planning fees.
- (vi) The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined at a reasonable level (with due regard to direct and indirect costs involved, need for discouraging undesirable practices and advantages enjoyed by user) in each annual budget:
 - a) fines for lost or overdue library books

- b) advertising sign fees
 - c) pound fees
 - d) disconnection and reconnection fees: electricity, water
 - e) penalty and other charges imposed in terms of the approved policy on credit control and debt collection
 - f) penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.
- (v) Market-related rentals shall be levied for the lease of municipal properties defined as investment assets.
- (vi) In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may allow a discount of 50% on the rental that would otherwise have applied.
- (vii) The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.
- (viii) Tariff structure:
 - a) The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.
- (ix) Overdue Amounts
 - a) The municipality shall be entitled to levy an administration fee on a month to month basis on all overdue accounts subject to such maximum amount per month as the Council may determine.
 - b) The municipality may at its discretion enter into a repayment schedule with a consumer in respect of overdue amounts, which repayment schedule will be incorporated into an acknowledgment of debt in favour of the municipality and signed by the consumer. Upon signature of such an acknowledgment of debt, the consumer will become liable for payment of an administration fee in such amount as the Council may determine for attending on the debtor and entering into the acknowledgment of debt with the consumer.

10. CAPITAL CONTRIBUTIONS

For purposes of these tariffs the under mentioned words and expressions shall have the following meanings assigned to them unless the context otherwise requires:

“capital contributions”, the tariffs payable in respect of the water, electricity, sewerage, storm water, roads and refuse removal infrastructure of the municipality and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure;

11. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- (1) The tariffs will be approved as part of the annual budget.
- (2) The tariffs will come into effect as and when determined by the Council.

12. IMPLEMENTATION OF THE POLICY

- (1) The principles 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 Systems Act.
- (2) The Council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

13. ADJUSTMENT OF ACCOUNTS

- (1) Where incorrect debits were raised, the accounts under query will be rectified as necessary.

14. SHORT TITLE

- (1) This policy is called the Knysna Municipality Tariff Policy.