ANNEXURE C

KNYSNA
Municipality Munisipaliteit uMasipala

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2022/2023 Budget-Related Policies

March 2022

Policy C5:

Supply Chain Management Policy

KNYSNA
Municipality Munisipaliteit uMasipala

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2022/2023 Supply Chain Management Policy

March 2022

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The Supply Chain Management Policy, adopted in terms of Section 111 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 and the Municipal Supply Chain Management Regulations, Notice 868 of 30 May 2005.

Council resolves in terms of Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following as the Supply Chain Management Policy of the Knysna Local Municipality:

VERSION CONTROL					
POLICY OWNER:		Knysna Municipality Supply Chain Management Unit			
POLICY EFFECTIVE DATE:		01 JULY 2022			
Version	**Date**	**Revision**	**Section**	**Page**	**Reason for change**
1	01 JULY 2018	1	All	All	Policy Approval
2	01 JULY 2019	2	All	All	Annual update
3	January 2020	3	IT		Including software
4	1 July 2020	4	All	All	Annual update
5	24 February 2021	5	All	All	Annual update
6	15 March 2022	6	All	All	Annual update

Definitions

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the **Municipal Finance Management Act, no 56 of 2003,** has the same meaning as in the Act, and –

"Accounting Officer"	in relation to a Municipality means the Accounting Officer as described in Section 60 of the Local Government: Municipal Finance Management Act, no 56 of 2003 as well as Section 82 of the Municipal Structures Act, no 117 of 1998.
"Bid"	means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods

"Close Family Member"	means: (i) spouse or partner, (ii) child, (iii) parent
"Close Members of the Family for GRAP Disclosure"	means those family members who may be expected to influence, or be influenced by that person in their dealings with the entity. As a minimum, a person is considered to be a close member of the family of another person if they: (a) are married or live together in a relationship similar to a marriage; or (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.
"Competitive Bidding Process"	means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;
"Competitive Bid"	means a bid in terms of a competitive bidding process;
"Consultants"	means consulting firms, engineering firms, legal firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investments and merchant banks, universities, research agencies, government agencies, non-governmental (NGO's) and individuals.
"Contract"	means the agreement that results from the acceptance of a bid by the Municipality;
"Contract Manager"	means the official within a specific department, responsible for all day to day activities (including performance management and dispute resolution) during the life cycle of the contract (with delegated powers to perform this function), as the contract champion. The Contract Manager can also be seen as the Budget holder accountable for expenditure from, and income to, particular budget.
"Contract Owner"	means the official who is, as the owner of a budget vote, ultimately accountable for all the activities during the life cycle of a contract.

"Delegation"	in relation to a duty, includes an instruction a request to perform, or to assist in performing the duty.
"Emergency dispensation"	means emergency as referred to in paragraph 36(10(a)(i) of this policy under which one or more of the following is in existence that warrants an emergency dispensation; (a) The possibility of human injury or death; (b) The prevalence of human suffering or deprivation of rights; (c) The possibility of damage to property, or suffering and death of livestock and animals; (d) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole; (e) The possibility of serious damage occurring to the natural environment; (f) The possibility that failure to take necessary action may result in the Municipality no being able to render an essential community service; (g) The possibility that the security of the state could be compromised; or (h) The prevailing situation, or imminent danger, should be or such a scale that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.
"Exceptional Case"	means unusual not typical circumstances where it is impractical or impossible in practice to follow procurement processes.
"Final Award"	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
"Formal Written Price Quotation"	means quotations referred to in Section 12 (1) (c) of this Policy;

"Head of Department"	means a person in the employment of Knysna Municipality who heads a department or who reports to the Accounting Officer
"IDP"	means Integrated Development Plan
"In the service of the State"	means to be – (a) a member of – i) any municipal council; ii) any provincial legislature; or iii) the National Assembly or the National Council of Provinces; (b) a member of the board of directors of any municipal entity; (c) an official of any Municipality or municipal entity; (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999); (e) an executive member of the accounting authority of any national or provincial public entity; or (f) an employee of Parliament or a provincial legislature;
"Irregular Expenditure"	For the purpose of this Policy means expenditure incurred by the Municipality in contravention of, or that is not in accordance with, a requirement of the Supply Chain Management Policy of the Municipality, and which is not been condoned in terms of the Policy
"Long Term Contract"	means a contract with a duration period exceeding one year;
"List of Accredited Prospective Providers"	means the list of accredited prospective providers which the Municipality must keep in terms of Section 14 of this Policy;
"Municipality"	means Knysna Local Municipality
"Municipal Systems Act"	means the Local Government: Municipal System Act 32 of 2000

"Notice Boards"	means the official notice boards at the municipal offices, libraries and any notice boards at the dedicated directorates
"Other Applicable Legislation"	means any other legislation applicable to municipal supply chain management, including – a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000); d) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); e) the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000); f) the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998); g) the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004); h) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003): Municipal Supply Chain Management Regulations; i) the Preferential Procurement Regulations, 2017 j) the Competitions Act 1998 (Act No. 89 of 1998)
"Policy"	means the Supply Chain Management Policy of the Knysna Local Municipality
"Quotation"	means a stated price that a supplier expects to receive for the provision of specified services, works or goods;
"Single source"	refers to when competition exist in the market, but from a selected few suppliers due to technical capabilities and abilities comply with the requirements of the Municipality;
"Sole Supplier"	means the only supplier in the South African market that can provide a particular product or service; there is no competition in the market; with sole distribution rights and/or patent rights or manufacturer;

"Supply chain management practitioners"	includes the Chief Financial Officer, the Head of the Budget and Treasury Office and the Head of Supply Chain Management as well as other supply chain officials;
"Tender"	means 'bid' or 'quotation' in relation to 'Tender Box'
"Treasury Guidelines"	means any guidelines on supply chain management issued by the Minister in terms of Section 168 of the Act;
"Validity period"	means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document. **The validity period for all Knysna tenders will be until the day the tender is awarded**.

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply Chain Management Policy

(1) The Knysna Municipality resolved in terms of Section 111 of the Municipal Finance Management Act, No. 56 of 2003, to have and implement a Supply Chain Management Policy that:

a) gives effect to –

i)Section 217 of the Constitution; and

ii) Part 1 of Chapter 11 and other applicable provisions of the Act;

b) is fair, equitable, transparent, competitive and cost effective;

c) complies with –

i)the Regulations; and

ii) any minimum norms and standards that may be prescribed in terms of Section 168 of the Act;

d) is consistent with other applicable legislation;

e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres;

f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector;

g) applies the highest ethical standards;

h) promotes local economic development; and

i) assign responsibility for the implementation of the policy to the Accounting Officer of the Municipality.

(2) The Municipality may not act otherwise than in accordance with this Supply Chain Management Policy when:

(a) procuring goods or services;

(b) disposing of goods, no longer needed;

(c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(d) selecting external mechanisms referred to in Section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in Section 83 of that Act.

(3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in Section 110(2) of the Act, including –

(a) water from the Department of Water Affairs or a public entity, another Municipality or a municipal entity; and

(b) electricity from Eskom or another public entity, another Municipality or a municipal entity.

1. Amendment of the Supply Chain Management Policy

(1) The Accounting Officer must –

(a) at least annually review the implementation of this Policy; and

(b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Council.

(2) If the Accounting Officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the Accounting Officer must –

(a) ensure that such proposed amendments comply with the Regulations; and

(b) report any deviation from the model policy to the National Treasury and the Provincial Treasury.

(c) when amending this Supply Chain Management Policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

(d) the Accounting Officer must, in terms of Section 62(1) (f) (i) of the Act, take all reasonable steps to ensure that the Municipality has and implements this Supply Chain Management Policy.

2. Delegation of supply chain management powers and duties

(1) The council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –

(a) to discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of –

(i) Chapter 8 of the Act; and

(ii) the Supply Chain Management Policy.

(b) to maximize administrative and operational efficiency in the implementation of this Policy;

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

(d) to comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.

(2) Section 79 of the Act applies to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of Sub-Section (1).

(3) The Council or Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of Municipality or to a committee which is not exclusively composed of officials of the Municipality.

(4) Section 4(3) may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in Section 26 of this Policy.

3. Sub-delegations

(1) The Accounting Officer may in terms of Section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with Sub-Section (2) of this Section and Section 4 of this Policy.

(2) The power to make a final award –

(a) above R10 million may not be sub-delegated by the Accounting Officer;

(b) above R2 million, but not exceeding R10 million, may be sub-delegated but only to –

(i) the Chief Financial Officer;

(ii) a Head of Department; or

(iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member.

(c) not exceeding R 2 million may be sub-delegated but only to –

(i) the Chief Financial Officer;

(ii) a Head of Department;

(iii) a manager directly accountable to the Chief Financial Officer or a Head of Department, or

(iv) a Bid Adjudication Committee.

(3) An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated in accordance with Sub-Section (2) must within five working days of the end of each

month submit to the Accounting Officer a written report containing particulars of each final award made by such official or committee during that month, including–

(a) the amount of the award;

(b) the name of the person to whom the award was made; and

(c) the reason why the award was made to that person.

(4) A written report referred to in Sub-Section (3) must be submitted –

(a) to the Accounting Officer, in the case of an award by –

(i) the Chief Financial Officer;

(ii) a senior manager; or

(iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member.

(b) to the Chief Financial Officer or the senior manager responsible for the relevant bid, in the case of an award by –

(i) a manager referred to in subparagraph (2)(c)(iii); or

(ii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is not a member.

(5) Sub-Section (3) of this Section does not apply to procurements out of petty cash.

(6) This Section may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in Section 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

4. Oversight role of Council

(1) The council reserves its right to maintain oversight over the implementation of this Policy.

(2) For the purposes of such oversight the Accounting Officer must –

(a) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the Supply Chain Management Policy of any municipal entity under the sole or shared control of the Municipality, to the council of the Municipality; and

(b) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

(3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the Supply Chain Management Policy to the mayor.

(4) The reports must be made public in accordance with Section 21A of the Municipal Systems Act.

(5) The Accounting Officer will, within 60 days of the end of each financial year, submit to the Provincial Treasury any information concerning supply chain management in such format as the National Treasury and Provincial Treasury may determine.

(6) 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:

a) The decisions of the BSC and the reasons therefore;
b) The recommendations of the BEC and the reasons therefore;
c) 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;
d) 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
e) 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.

5. Supply Chain Management Unit

(a) The Accounting Officer must establish a Supply Chain Management Unit to implement this Policy.

(b) The Supply Chain Management Unit operates under the direct administrative charge of the Chief Financial Officer, supervised by the Manager: Supply Chain Management as the Head of Supply Chain Management to whom this duty has been sub-delegated in terms of Section 82 of the Act.

6. Training of supply chain management officials

(a) The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

SUPPLY CHAIN MANAGEMENT SYSTEM

7. Format of supply chain management system

(1) This Supply Chain Management Policy provides systems for –

(a) demand management;

(i) acquisition management;

(ii) logistics management;

(iii) disposal management;

(iv) risk management; and

(v) performance management.

Part 1: Demand Management

8. System of demand management

(1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Municipality to support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

(2) The demand management system must –

(a) include timely planning and management processes to ensure that all goods and services required by the Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;

(b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;

(c) provide for the compilation of the required specifications to ensure that its needs are met;

(d) undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized; and

(e) include the following demand management considerations –

(i) understanding of future and current needs;

(ii) requirements are linked to the budget;

(iii) specifications are determined;

(iv) needs form part of the strategic plan and Integrated Development Plan of the Municipality;

(v) analysis of past and current expenditure;

(vi) optimum methods to satisfy needs;

(vii) frequency of requirements is specified;

(viii) calculation of economic order quantity; and

(ix) conducting of industry and market analysis.

(3) The Demand Management Plan must be developed in conjunction with the IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget.

(4) All user departments are required to submit their procurement plans to the Supply Chain Management Unit by 31 March in terms of the IDP and Budget processes.

(5) The Demand Management Plan must be submitted to and approved by the Accounting Officer or his or her delegate before 30 June of each year.

(6) The Demand Management Plan must be reviewed regularly and submitted to the Accounting Officer or his delegate on a quarterly basis.

(7) Demand management must be co-ordinated by SCM officials of the Municipality in consultation with budget holders.

(8) The outcome of this activity should be a detailed planning document that outlines what goods, works or services should be procured, the manner in which they should be procured as well as the time-lines to execute the procurement functions

Part 2: Acquisition management

9. System of acquisition management

(1) The Accounting Officer must establish, through operational procedures, an effective system of acquisition management in order to ensure: -

(a) that goods and services are procured by the Municipality in accordance with authorized processes only;

(b) that expenditure on goods and services is incurred in terms of an approved budget in terms of Section 15 of the Act;

(c) that the threshold values for the different procurement processes are complied with;

(d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and

(e) that any Treasury guidelines on acquisition management are properly taken into account.

(2) When procuring goods or services contemplated in Section 110(2) of the Act, the Accounting Officer must make public the fact that such goods or services are procured otherwise than through the Municipality's supply chain management system, including -

(a) the kind of goods or services; and

(b) the name of the supplier.

10. Range of procurement processes

(1) Goods and services may only be procured by way of –

- (a) petty cash purchases in terms of Council's Petty Cash Policy for procurement transactions with a value up to R2 000 (Incl. VAT);
- (b) written or verbal quotations for procurement transactions of a value up to R10 000;
- (c) formal written price quotations for procurement transactions of a value over R10 000 up to R200 000; and
- (d) a competitive bidding process for–
  - (i) procurement transactions with a value above of R200 000; and
  - (ii) the procurement of long term contracts.

(2) The Accounting Officer may, in writing-

- (a) lower, but not increase, the different threshold values specified in Sub-Section (1); or
- (b) direct that –
  - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
  - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
  - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

11. General preconditions for consideration of written quotations or bids

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

(a) has furnished that provider's –

- (i) full name;
- (ii) identification number or company or other registration number; and
- (iii) tax reference number and VAT registration number, if any;

(b) has authorised the Municipality to verify any of the documentation referred to in Sub-Section (a) above; and

(c) has indicated –

(i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in Sub-Section (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

~~(d)~~ has indicated the status of the providers municipal accounts with their applicable municipality. It must be noted that according to the Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy the outstanding debt will be paid off in three consecutive months. This will be recovered directly from the supplier's invoice.~~Has indicated the status of the providers municipal accounts with Knysna Municipality, where applicable.~~

12. Lists of accredited prospective providers

(1) The Accounting Officer must –

(a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations;

(b) ensure that the listing platforms comply with National Treasury instructions;

(c) ensure that the centralized supplier database(CSD) from National Treasury are used for procurement above R30 000 and that awards are made to suppliers that is registered on the CSD;

(d) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers; and

(e) ensure that prospective providers meet the following listing criteria:

(i) Name of supplier / service provider;

(ii) Street address;

(iii) Postal address;

(iv) Contact person in Sales Department;

(v) Sales Department's telephone number;

(vi) Sales Department's fax number;

(vii) Sales Department's cell number;

(viii) Sales Department's email address;

(ix) Contact person in Accounts Department;

(x) VAT registration number;

(xi) Bank details;

(xii) Type of industry;

(xiii) Valid certification for specialised services;

(xiv) Valid tax clearance certificate, if available;

(xv) Valid certification in respect of Exempted Micro Enterprises or B-BBEE Status Level of Contributor, if available; and

(xvi) Relevant identification numbers of all members, directors and partners

(f) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

(4) Once a list has been compiled per commodity and per type of service, price quotations will be invited from the suppliers in a manner that promotes on-going competition, including on a rotation basis.

(5) The inclusion of any supplier in the database of suppliers does not exempt the supplier from the obligation to respond in the prescribed manner to notices of the Municipality's supply chain management requirements.

(6) Suppliers who wish to be included in the list of accredited suppliers without waiting for the next invitation may approach the Procurement Section for inclusion, provided that they supply the necessary documentation and information for evaluation. Once these requirements have been satisfied, the Procurement Section will ensure that the prospective supplier is evaluated and will provide a response as to approval or not within a reasonable time.

(7) The prospective supplier list shall be used effectively to promote B-BBEE as well as the participation of Small, Medium and Micro Enterprises (SMME's).

13. Petty cash purchases

(a) The conditions for the procurement of goods by means of petty cash purchases referred to in Section 12(1)(a) of this Policy must be stipulated in a Petty Cash Policy which must comply with the individual transaction with the Chief Financial Officer having the discretion to approve transactions under exceptional circumstances that does not exceed R 300 per transaction.

(b) Within the petty cash monetary threshold, up to R2 000, VAT included, satisfy the requirement according to the prescribed petty cash policy.

(c) The Municipality shall ensure that a petty cash policy and procedures are in place.

(d) The petty cash policy must stipulate for which items and under which circumstances petty cash may not be utilized.

(e) The petty cash procedure may not be used for items available on contract, payroll payments, inventory, capital goods and other personal obligations.

(f) Monthly reconciliations must be done by each manager and be submitted to the CFO.

14. Written or verbal quotations

(1) The conditions for the procurement of goods by means of verbal quotations for minor items with a value up to R2 000 are as follows:

a) Verbal quotations must be obtained from at least one prospective supplier or service provider preferably from, but not limited to, suppliers or service providers whose names appear on the list of accredited prospective providers of the Municipality provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in Section 14(1) (b), (c) and (d) of this Policy;

b) when using the list of accredited prospective providers, the Accounting Officer must promote on-going competition amongst providers by inviting providers to submit quotations on a rotation basis if and when possible;

c) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider; and

d) no orders may be placed based on verbal price quotations only.

(2) The conditions for the procurement of goods or services for a value over R2 000 up to R30 000, through written quotations are as follows:

(a) Written quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in Section 14(1)(b) and (c) of this Policy;

(b) to the extent feasible, providers must be requested to submit such quotations in writing;

(c) Requirements for quotations above R 2 000 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.

(d) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer;

(e) the Accounting Officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

(2) Quotations must:

(a) be signed by a person with the necessary authority to act on behalf of the prospective supplier;

(b) comply with the specifications set out in the quotation notice;

(c) be marked for identification in relation to the particular quotation.

(3) Receiving and opening procedures for written quotations above R2000 up to R30 000:

(a) Quotations must be submitted in writing preferably by hand or per e-mail.
(b) Bid box procedures will be used.

15. Formal written price quotations

(1) The conditions for the procurement of goods or services for a value over R30 000 up to R200 000, through formal written price quotations are as follows:

(a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the Municipality;

(a) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in Section 14(1)(b) and (c) of this Policy;

(b) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer, and

(c) the Accounting Officer must record the names of the potential providers and their written quotations.

(2) Quotations must:

(a) be in writing, and signed by a person with the necessary authority to act on behalf of the prospective supplier;

(b) comply with the specifications set out in the quotation notice;

(c) be marked for identification in relation to the particular quotation.

(3) A designated official referred to in Sub-Section (1) (c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that Sub-Section.

16. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

(1) The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

(a) when using the list of accredited prospective providers, the Accounting Officer must promote on-going competition amongst providers by inviting providers to submit quotations on a rotation basis;

(b) all goods and services in excess of R30 000 that are to be procured by means of formal written price quotations must, in addition to the requirements of Section 17, be advertised for at least seven days on the website and an official notice board of the Municipality;

(c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;

(d) the Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;

(e) offers below R30 000 must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

(f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points; and

(g) requirements for proper record keeping such as:

(i) filing of documents for audit purposes;

(ii) ensure the correctness of documents;

(iii) before awards proper checking of documents must be done.

(2) Notwithstanding the above requirements for consideration, quotations not to specification may not be accepted.

(3) Only quotations complying with the specifications will be considered to be accepted, provided that there are sufficient funds within the appropriate budget.

(4) Where no quotation complies with the specification, as determined by the Head of the Department, the SCM Manager may re-invite quotations.

17. Competitive bids

(1) Goods or services above a transaction value of R200 000 and long term contracts may only be procured through a competitive bidding process, subject to Paragraph 11(2) of this Policy.

(2) The bid documentation will be prepared by the SCM Manager in consultation with the relevant directorate and displayed on notice boards, placed on the council's website, and advertised in commonly circulated local and/or provincial newspapers with a closing date of at least 14 days after the date that the advertisement first appears.

(3) No requirement for goods or services above an estimated transaction value of R200 000 may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

18. Process for competitive bidding

(1) The procedures for the following stages of a competitive bidding process are as follows:

(a) Compilation of bidding documentation as detailed in Section 21;

(b) Public invitation of bids as detailed in Section 22;

(c) Site meetings or briefing sessions as detailed in Section 22;

(d) Handling of bids submitted in response to public invitation as detailed in Section 23;

(e) Evaluation of bids as detailed in Section 28;

(f) Award of contracts as detailed in Section 29;

(g) Administration of contracts; after approval of a bid, the Accounting Officer and the bidder must enter into a written agreement.

(h) Proper record keeping; Original / legal copies of written contract agreements should be kept in a secure place for reference purposes.

19. Bid documentation for competitive bids

(1) The criteria with which bid documentation for a competitive bidding process must comply, must –

(a) take into account –

(i) the general conditions of contract and any special conditions of contract, if specified;

(ii) any Treasury guidelines on bid documentation; and

(iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

(b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(c) include the compulsory submission of B-BBEE status level verification certificates or certified copies thereof. Letters from auditors or companies indicating that the B-BBEE certificate lapsed, verifying the B-BBEE level, will not be accepted and bidders will score 0 points for B-BBEE;

(d) include evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(e) include evaluation criteria for measuring of functionality (where applicable);

(f) include conditions for sub-contracting according to applicable legislation;

(g) ensure that a due diligence process is conducted to determine whether the preferred bidders have the capability and ability to execute the contract;

(h) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(i) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

(i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements (aa) for the past three years; or

(bb) since their establishment if established during the past three years;

(ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a Municipality or other service provider in respect of which payment is overdue for more than 30 days;

(iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and

(iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Municipality or municipal entity is expected to be transferred out of the Republic.

(j) 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;

(k) a requirement to supply tax references, tax clearance certificates, VAT registration numbers and identification or registration numbers;

(l) details of any contracts above R200 000 carried out on behalf of the Municipality within the last five years;

(m) contract management processes and procedures including provision for the Accounting Officer to cancel the contract on the grounds of unsatisfactory performance; and

(n) any other matters as required by the MFMA and the Supply Chain Management Regulations.

20. Public invitation for competitive bids

(1) The procedure for the invitation of competitive bids is as follows:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and

(b) the information contained in a public advertisement, must include –

(i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million, or which are of a long term nature (longer than 1 years), or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to Sub-Section (2) of this policy;

(ii) a statement that bids may only be submitted on the bid documentation provided by the Municipality; and

(iii) date, time and venue of any proposed site meetings or briefing sessions.

(2) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days' requirement, but only if such shorter period can be justified on the grounds of

urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(3) Bids submitted must be sealed.

21. Procedure for handling, opening and recording of bids

(1) The procedures for the handling, opening and recording of bids, are as follows:

(a) Bids–

(i) must be opened only in public;

(ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and

(iii) received after the closing time should not be considered and returned unopened immediately.

(b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

(c) No information, except the provisions in Sub-Section (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(d) The Accounting Officer must –

(i) record in a register all bids received in time;

(ii) make the register available for public inspection; and

(iii) publish the entries in the register and the bid results on the website.

(2) For a bid to be considered it must comply with all the requirements of the bid documentation and be placed in the official tender box located at the Supply Chain Management Unit in Clyde Street.

(3) The Municipality charges a non-refundable fee for provision of bid documents. This is subject to annual review. Values of the fees will be determined annually and included in the official lists of tariffs.

(4) Bid documents must be made available on Council's Website at no charge, as far as possible.

(5) The Manager: Supply Chain will ensure that tender boxes are sealed until the time of their official opening, and ensure that they are properly secured.

(6) At the advertised time, the tender box will be unlocked by officials from the Supply Chain Management Unit.

(7) A Supply Chain Management practitioner will open bid documents in the presence of bidders or other interested parties.

(8) The tender box may be opened without any members of public being present provided that the appropriate procedure for advertising the time and venue has been followed.

(9) Unmarked or incorrectly marked tenders will not be opened

(10) The names and total bid amounts will be read out and recorded in the tender register, which will be available for public inspection on request.

(11) A copy of the record must be kept in the office of the SCM Manager and a complete schedule provided as soon as is practical.

(12) Bid results will be published on the Municipality's website.

22. Negotiations with preferred bidders

(1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

(a) does not allow any preferred bidder a second or unfair opportunity;

(b) is not to the detriment of any other bidder; and

(c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

23. Two-stage bidding process

(1) A two-stage bidding process is allowed for –

(a) large, complex projects;

(b) projects where it may be undesirable to prepare complete detailed technical specifications; or

(c) long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

(3) In the second stage final technical proposals and priced bids should be invited.

24. Committee system for competitive bids

(1) The Accounting Officer is required to establish a committee system for competitive bids of at least-

(i) a Bid Specification Committee;

(ii) a Bid Evaluation Committee; and

(iii) a Bid Adjudication Committee.

(2) The Accounting Officer appoints the members of each committee, taking into account Section 117 of the Act.

(3) A neutral or independent observer, appointed by the Accounting Officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

(a) Section 27, 28 and 29 of this Policy; and

(b) any other applicable legislation.

(5) The Accounting Officer may apply the committee system to formal written price quotations.

25. Bid Specification Committees

(1) The bid specification committee must compile the specifications for each procurement transaction of goods or services by the Municipality.

(2) Specifications –

(a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

(b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;

(c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

(d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;

(e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

(f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2017; and

(g) must be approved by the Bid Specification Committee prior to publication of the invitation for bids in terms of Section 22 of this Policy.

(3) A bid specification committee must be composed of at least four (4) officials of the Municipality. The attendance of the relevant Project Manager is compulsory and the Committee may, when appropriate, include external specialist advisors.

(4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

(5) The quorum for each meeting of the specification committee is 50% of the members plus one. One member from the Supply Chain Management Unit and one member of the directorate as minimum. A member of the specification committee can also be a member of either the Bid Evaluation or Bid Adjudication Committee (but not both committees) that considers any of the bids for the same goods or services.

(6) The advertisement must be approved by the Accounting Officer, prior to advertisement of the bid.

26. Bid evaluation committees

(1) The bid evaluation committee must –

(a) evaluate bids in accordance with –

(i) the specifications for a specific procurement; and

(ii) the points system set out in terms of Section 27(2)(f);

(b) evaluate each bidder's ability to execute the contract;

(c) check in respect of each bidder whether municipal rates and taxes and municipal service charges are not in arrears,

(d) check in respect of each bidder that their tax matters are in order and;

(e) may use the following remedies where a bidder does not comply to any or certain requirements–

(i) disqualify bidders from the bidding process;

(ii) recover all costs, losses or damages the Municipality has suffered from the bidder's non-compliance;

(iii) claim any damages as a result of having to make less favourable arrangements

(f) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

(a) officials from departments requiring the goods or services; and

(b) at least one supply chain management practitioner of the Municipality,

(c) Technical experts, consultants or advisors, provided that these experts can only actively contribute to discussions, and not vote on the items

(d) The BEC must be at least the Manager from the Procuring department, a senior SCM practitioner, the project manager for the tender from the user department and an official from another directorate.

(e) Attendance of the relevant project manager is compulsory

(f) Members of the bid evaluation committees may not serve on any adjudication committee that adjudicates on any of the items that has been considered at a bid evaluation committee.

(g) Notwithstanding the above requirements for consideration, bids not according to specification may not be accepted and the evaluation committee may recommend that new tenders be called if necessary.

27. Bid Adjudication Committees

(1) The Bid Adjudication Committee must –

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either –

(i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or

(ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

(2) The Bid Adjudication Committee must consist of at least four senior managers of the Municipality which must include –

(a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and

(b) at least one senior supply chain management practitioner who is an official of the Municipality; and

(c) a technical expert in the relevant field who is an official, if such an expert exists.

(3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a Bid Adjudication Committee.

(5) If the Bid Adjudication Committee decides to award a bid other than the one recommended by the bid evaluation committee, the Bid Adjudication Committee must prior to awarding the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears,

(ii) check in respect of the preferred bidder whether the bidder's taxation matters are in order,

(iii) notify the Accounting Officer.

(7) The Accounting Officer may –

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee referred to in paragraph (a); and

(ii) if the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(8) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(9) The Accounting Officer must comply with Section 114 of the Act within 10 working days.

28. Procurement of banking services

(1) A contract for banking services –

(a) must be procured through competitive bids;

(b) must be consistent with Section 7 of the Act; and

(c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of Section 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

29. Procurement of IT related goods or services

(1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –

(a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

(b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

(4) SITA may comment on the procurement needs submitted per Sub-Section (3)

(5) If the Municipality disagrees with comments made by SITA, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the Provincial Treasury and the Auditor-General.

(6) The following software packages are approved by Council and Knysna Municipality has standardized on it. It will not be deemed as deviations from the SCM Process:

- Microsoft
- Adobe
- GIS software
- 3G software
- R Admin
- CAD
- LMS
- Collaborator
- Promun/Rdata
- Legal Suite
- LANsweeper
- AD Audit Plus
- Tenable Nessus

- Ping Plotter
- PRTG Network Monitor
- Veeam
- VMWare
- CAT Routemaster
- iDesk
- CAD software
- CaseWare
- Ontec E3 / Eclipse

30. Procurement of goods and services under contracts secured by other organs of state

(1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –

(a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

(b) there is no reason to believe that such contract was not validly procured;

(c) there are demonstrable discounts or benefits to do so; and

(d) that other organ of state and the provider have consented to such procurement in writing.

(2) Sub-Sections (1)(c) and (d) do not apply if –

(a) a municipal entity procures goods or services through a contract secured by its parent Municipality; or

(b) a Municipality procures goods or services through a contract secured by a municipal entity of which it is the parent Municipality.

31. Procurement of goods necessitating special safety arrangements

(1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

32. Proudly SA Campaign

(1) The Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

(a) Firstly – suppliers and businesses within the Municipality or district;

(b) Secondly – suppliers and businesses within the relevant province;

(c) Thirdly – suppliers and businesses within the Republic.

33. Appointment of consultants

(1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if:

(a) the value of the contract exceeds R200 000; or

(b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

(a) all consultancy services provided to an organ of state in the last five years; and

(b) any similar consultancy services provided to an organ of state in the last five years.

(4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service, is vested in the Municipality.

(5) The appointment of advisors must also follow the same competitive bidding process as set out in this Policy.

(6) No advisor will take any part in the final decision-making process regarding the award of bids.

(7) No decision-making authority may be delegated to an advisor.

34. Deviation from, and ratification of minor breaches of, procurement processes

(1) The Accounting Officer may –

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

(i) in an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the Municipality which requires urgent action to address.

(ii) where it can be demonstrated that goods or services are produced or available from a single source / sole supplier only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature; and

(c) may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this Policy, provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting.

(2) The Accounting Officer must record the reasons for any deviations in terms of Sub-Sections (1)(a) and (b) of this policy and report them to the next meeting of Council and include as a note to the annual financial statements.

(3) Sub-Section (2) does not apply to the procurement of goods and services contemplated in Section 11(2) of this policy.

35. Unsolicited bids

(1) In accordance with Section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The Accounting Officer may decide in terms of Section 113(2) of the Act to consider an unsolicited bid, only if –

(a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;

(c) the person who made the bid is the sole provider of the product or service; and

(d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

(3) If the Accounting Officer decides to consider an unsolicited bid that complies with Sub-Section (2) of this policy, the decision must be made public in accordance with Section 21A of the Municipal Systems Act, together with –

(a) reasons as to why the bid should not be open to other competitors;

(b) an explanation of the potential benefits if the unsolicited bid were accepted; and

(c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The Accounting Officer must submit all written comments received pursuant to Sub-Section (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the adjudication committee must take into account –

(a) any comments submitted by the public; and

(b) any written comments and recommendations of the National Treasury or the Provincial Treasury.

(8) If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Accounting Officer must submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations. Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Municipality to the bid may be entered into or signed within 30 days of the submission.

36. Combating of abuse of supply chain management system

(1) The Accounting Officer must–

(a) take all reasonable steps to prevent abuse of the supply chain management system;

(b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified–

(i) take appropriate steps against such official or other role player; or

(ii) report any alleged criminal conduct to the South African Police Service;

(c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

(d) take cognizance of the provisions of Chapter 2 of the Competition Act no 89 of 1998, with specific reference to:

(i) restrictive practices;

(ii) abuse of a dominant position; and

(iii) exemption from application of Chapter 2 of the Act.

(e) reject any bid from a bidder–

(i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the Municipality, or to any other Municipality or municipal entity, are in arrears for more than three months; or

(ii) who during the last five years has failed to perform satisfactorily on a previous contract with the Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(f) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

(g) cancel a contract awarded to a person if –

(i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(h) reject the bid of any bidder if that bidder or any of its directors –

(i) has abused the supply chain management system of the Municipality or has committed any improper conduct in relation to such system;

(ii) has been convicted for fraud or corruption during the past five years;

(iii) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or has been listed in the Register for Tender Defaulters in terms of Section 29 of the Prevention and has been in contravention of the Competition Act no 89 Of 1998.

(i) No person placing a procurement requisition for goods or Services shall knowingly understate the requirements of the estimated value with the intention of avoiding a more stringent procurement process. This includes the deliberate splitting of requirements to reduce individual order values. Procurement is limited to R200 000 per commodity type per month unless a competitive bidding process has been undertaken. The Accounting Officer shall promptly institute disciplinary action against any person infringing this requirement.

(j) No official shall engage in contact with a prospective supplier in respect of a quotation or tender which the supplier intends to submit except where clarification of requirements is required from either party, or where the Accounting Officer may negotiate with identified preferred bidders. Any such communication must be recorded and appropriately filed with the bid documentation.

(k) The Accounting Officer may, where a bidder has contravened the prescriptions of the Competition Act no 89 of 1998 –

(i) recover all costs, losses or damages the Municipality suffered as a result of the bidder's conduct;

(ii) cancel the contract and claim any damages which the Municipality has suffered as a result of having to make less favourable arrangements due to such cancellation;

(iii) restrict the bidder or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis; and

(iv) forward the matter for criminal prosecution.

(2) The Accounting Officer must inform the National Treasury and relevant Provincial Treasury in writing of any actions taken in terms of Sub-Sections (1)(b) (ii), (e)(f) or 2 of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

37. Logistics Management

(1) The Accounting Officer must establish and implement an effective system of logistics management, which must include -

(a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

(b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

(c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;

(d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

(e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

(f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

(g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

(h) monitoring and review of the distribution of items,

(i) monitoring and review of losses and surpluses.

(2) The primary function of a store is the receiving, storing, preserving as well as the issuing of store items.

(3) 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. By lack of a physical store, the function must still be performed.

(4) Duplicate keys of all lockers, cabinets, padlocks and other storage areas should be readily available and shall be controlled by a responsible delegated official.

(5) The Accounting Officer must establish and implement an effective system of logistics management, which must include:

a) The monitoring of spending patterns on types or classes of goods and services incorporating, were practical, the coding of items to ensure that each item has a unique number;

b) The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock.

c) The placing of manual or electronic orders for all acquisitions other than those from petty cash.

d) Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specification where applicable and that the price charged is as quoted in terms of a contract.

e) Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased.
f) Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes.
g) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

(6) Inventory management

a) In cases where storage space is very expensive or not available, the just-in-time delivery principle must be used.
b) Minimum and maximum order levels for all store items shall be determined based on the usage, the lead and delivery times.

(7) Requisition

a) Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.
b) Procurement processes may differ between goods and services and in some cases a process for emergency procurement may be necessary.

(8) Placing of orders

a) Purchase orders must be in reference to the requisitions where the supply source is either –
   - *Contract; or*
   - *Quotations.*
b) 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.

(9) Receiving goods

a) Goods are received on the logistical system with reference to purchase orders.

(10) Returning goods

a) Manage the return of goods and related third party claims.

(11) Warehouse management

a) Warehousing must be provided for and located in areas appropriate to where depots are situated.

b) 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.

(12) Matching documents

a) Manage the payment voucher matching process.

   i. Preparation for payment/account payable

b) After documented records were received, the payment process can be initiated as prescribed through the MFMA processes and delegations

   i. Inventory stock count, verification and reconciliation

   ii. Stock count and verification procedures

c) Planning phase

   1) 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.
   2) Stock count should at least be done once in a financial year but could also be done on a monthly basis.

d. Reconciliation procedures
   1. The reconciliation process commences once the count and verification phase has been completed and complete count reports are available from Stock Take Team. The control report must be printed and compared with the count report.
   2. Discrepancies must be listed from above mentioned process.

e. Treatment of discrepancies

   1. Discrepancies are the result of shortages and or surplus stock found not equal to the quantity that appears on the control report.

38. Disposal management

(1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets will be subject to Sections 14 of the Act, and asset transfer regulations;

(2) Assets may be disposed of by –

(i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

(ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

(iii) selling the asset; or

(iv) destroying the asset

(3) The Accounting Officer must ensure that –

(a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

(b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;

(c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

(d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

(e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are reviewed annually;

(f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

(g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

39. Risk management

(1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, must be identified.

(2) Risk management must include –

(i) the identification of risks on a case-by-case basis;

(ii) the allocation of risks to the party best suited to manage such risks;

(iii) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(iv) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

(v) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

(3) The Accounting Officer must ensure that risks are identified utilizing the following methods –

(i) Focus group sessions;

(ii) Personal interviews;

(iii) Questionnaires;

(iv) Audit reports analysis;

(v) Statistical analysis of related risk data;

(vi) Trend analysis;

(vii) Scenario analysis; and

(viii) Forecasting methodologies.

(4) The Accounting Officer must ensure that a risk register is implemented consisting of the following–

(i) Each risks identified with a unique number;

(ii) Description of the risk;

(iii) Assessment of occurrence or likelihood and its impact if it does;

(iv) Grading of risk;

(v) Responsibility for managing the risk; and

(vi) Proposed mitigation processes.

(5) The Accounting Officer must ensure that all risks are assessed and indicating the magnitude of the risk as well as the probability of occurrence;

(6) The Accounting Officer must ensure that a risk strategy is implemented which may include the following-

(i) avoiding the risk by eliminating the action;

(ii) treating the risk, how the risk can be prevented and if it were to occur how the impact can be minimized;

(iii) transfer or outsource the risk;

(iv) tolerate the risk.

(7) The Accounting Officer must ensure that all risk related matters are reported and that a communication plan which may consist of the following is implemented –

(i) responsibility for the communication;

(ii) frequency of communication;

(iii) format of communication;

(iv) record of communication.

40. Performance management

(1) The Accounting Officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved;

(2) The Accounting Officer must ensure that the following issues are reported on a quarterly basis –

(i) Achievement of preferential procurement goals and objectives;

(ii) Implementation of the Supply Chain Management Policy of the Municipality;

(iii) Compliance to SCM norms and standards such as the municipal supply chain management regulations, National Treasury's model policy, standard bid documents and the general conditions of contract;

(iv) Savings generated, amongst others, by arranging contracts for the purpose of developing economies of scale;

(v) Stores efficiency, (the proper layout of stores through clear bin locations and bin numbering, promptly satisfying the users requirements, etc.)

(vi) Contract breach either by the Municipality or contractors;

(vii) Cost efficiency of the procurement process;

(viii) That the supply chain objectives are consistent with Government's broader policy focus on trade, small business development, anti-corruption measures and the proudly South African.

Part 4: Other matters

41. Prohibition on awards to persons whose tax matters are not in order

(1) No award above **R15 000** may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order.

(3) Circular 90 procedures relating to tax matters to be followed.

42. Prohibition on awards to persons in the service of the state

(1) Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

(a) who is in the service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is –

(i) a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces;

(ii) an official of any Municipality;

(iii) an employee of any national or provincial department, national or provincial public entity or constitutional_institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(iv) a member of the board of directors of any municipal entity;

(v) an executive member of the accounting authority of any national or provincial public entity;

(c) a person who is an advisor or consultant contracted with the Municipality.

43. Awards to close family members of persons in the service of the state

The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

(a) the name of that person;

(b) the capacity in which that person is in the service of the state; and

(c) the amount of the award.

44. Ethical standards

(1) All officials involved in supply chain management for the Municipality must comply with the Code of Conduct prescribed in the Municipal Systems Act, the Supply Chain Management Framework and the Code of Conduct for Supply Chain Management role players as prescribed.

(2) A code of ethical standards is hereby established for officials and other role players in the Supply Chain Management System in order to promote –

(a) mutual trust and respect; and

(b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(3) An official or other role player involved in the implementation of the Supply Chain Management Policy:

(a) must treat all providers and potential providers equitably;

(b) may not use his or her position for private gain or to improperly benefit another person;

(c) may not accept any rewards, gift, favour, hospitality or other benefit directly, including to any close family member, partner or associate of that person, of a value more than R350;

(d) notwithstanding Sub-Section 48(2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

(e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Municipality;

(f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

(g) must be scrupulous in his or her use of property belonging to the Municipality;

(h) must assist the Accounting Officer in combination fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

(i) must report to the Accounting Officer any irregular conduct in the supply chain management system which that person may become aware of, including –

  (i) any alleged fraud, corruption, favouritism or unfair conduct

  (ii) any alleged contravention of Section 49(1) of this Policy; or

  (iii) any alleged breach of this of this code of ethical standards.

(j) Declarations in terms of Sub-Sections 49 (2) (d) and (e)-

  (i) must be recorded in a register which the Accounting Officer must keep for this purpose;

  (ii) by the Accounting Officer must be made to the Mayor of the Municipality who must ensure that such declarations are recorded in the register.

(k) The National Treasury Code of Conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(l) The National Treasury Code of Conduct for Supply Management Practitioners, attached as Annexure A, is adopted by the Municipality and shall apply mutatis mutandis to and be binding on supply chain management of the Municipality.

(m) A breach of the code of conduct adopted by the Municipality must be dealt with in accordance with Schedule 1 (code of Conduct for Councillors) and Schedule 2 (Code of Conduct for Municipal Staff Members) of the Municipal Systems Act, No 32 of 2000.

45. Inducements, rewards, gifts and favours to municipalities, officials and other role players

(1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

  (a) any inducement or reward to the Municipality for or in connection with the award of a contract; or

  (b) any reward, gift, favour or hospitality to –

(i) any official; or

(ii) any other role player involved in the implementation of this Policy.

(2) The Accounting Officer must promptly report any alleged contravention of Sub-Section (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Sub-Section (1) does not apply to gifts less than R350 in value.

46. Sponsorships

(1) The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

(a) a provider or prospective provider of goods or services; or

(b) a recipient or prospective recipient of goods disposed or to be disposed.

47. Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

48. Resolution of disputes, objections, complaints and queries

(1) The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

(a) to assist in the resolution of disputes between the Municipality and other persons regarding -

(i) any decisions or actions taken in the implementation of the supply chain management 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.

(b) 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;

(c) 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

(a) any decisions or actions taken in the implementation of the supply chain management system; or

(b) any matter arising from a contract awarded in the course of the supply chain management system; or

(c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(d) 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.

(e) 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.

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

(2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must –

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant Provincial Treasury if –

(a) the dispute, objection, complaint or query is not resolved within 60 days; or

(b) no response is forthcoming within 60 days.

(5) The Provincial Treasury may refer the query to the National Treasury for resolution.

(6) This Policy must not be read as affecting a person's rights to approach a court at any time.

49. Appeals

(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.

(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;

(3) The Accounting Officer must promptly submit the appeal to the appropriate appeal authority.

(4) 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.

(5) The Accounting Officer must promptly submit the appeal to the appropriate appeal authority.

(6) 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.

(7) 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.

(8) 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.

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

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

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

(12) The appeal authority must consider the appeal, and confirm, vary or revoke the he 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.

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

50. Contracts and contract management

(1) A contract or agreement procured through the supply chain management system of the Municipality must—

(a) be in writing;

(b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—

(i) the termination of the contract or agreement in the case of non- or underperformance;

(ii) dispute resolution mechanisms to settle disputes between the parties;

(iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and

(iv) any other matters that may be prescribed.

(2) The accounting officer must—

(a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the Municipality or municipal entity is properly enforced;

(b) monitor on a monthly basis the performance of the contractor under the contract or agreement;

(c) establish capacity in the administration of the Municipality or municipal entity—

(i) to assist the accounting officer in carrying out the duties set out in paragraphs *(a)* and *(b)*; and

(ii) to oversee the day-to-day management of the contract or agreement; and

(d) regularly report to the council of the Municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.

(3) A contract or agreement procured through the supply chain management policy of the Municipality may be amended by the parties, but only after—

(a) the reasons for the proposed amendment have been tabled in the council of the Municipality or, in the case of a municipal entity, in the council of its parent Municipality; and

(b) the local community—

(i) has been given reasonable notice of the intention to amend the contract or agreement; and

(ii) has been invited to submit representations to the Municipality or municipal entity.

(c) Amendments, expansion, variation of contracts may be considered by the Accounting Officer if the value does not exceed 15% of the value of the contract or 20% of the value of the contract for construction-related contracts.

(d) Contract escalation will be outlined per tender document and could be indicated as a percentage % per year or calculated with a formula.

51. Contract Management

(1) The Accounting Officer must ensure that all bids and contracts are subject to the General Conditions of Contract and any Special Conditions of Contract, if specified;

(2) All contracts must be based on the General Conditions of Contract, issued by the National Treasury. Any aspect not covered by the General Conditions of Contract must be dealt with in the Special Contract Conditions;

(3) Matters such as attendance of compulsory site meetings, briefing sessions and special delivery conditions must be covered in the Special Conditions of Contract with the proviso that the standard wording of the General Conditions of Contract should not be amended;

(4) The General Conditions of Contract, International Federation of Consulting Engineers (FIDIC) regulations and the Joint Building Contracts Committee (JBCC) guidelines issued by the Construction Industry Development Board are utilized in cases of bids related to the construction industry;

(5) Where the Special Conditions of Contract is in conflict with the General Conditions of Contract, the Special Conditions of Contract will prevail;

(6) These conditions must form an integral part of the bidding documents.

52. Contract Administration

(1) Contract administration includes all administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in this policy.

(2) All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract. The contract manager will typically be the internal project manager assigned to the project as a whole, but may also be a cost centre owner or other responsible official.

(3) A contract manager must be assigned to each contract and, where possible, should be involved from the earliest stages of the acquisition process.

(4) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.

(5) The contract manager shall take all reasonable steps to ensure that a contract procured through the provisions of this policy is properly enforced.

(6) In administering a contract, the contract manager will be required to form opinions and make decisions which, while in the Municipality's best interests, must be fair to all parties concerned.

(7) Departmental Heads shall be responsible for ensuring that contract managers:

(a) are assigned to all contracts within the Department Head's area of responsibility;

(b) are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.

(8) In discharging his duties, the contract manager shall:

(a) ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to;

(b) ensure that contracts related to the procurement of goods and services are captured on the contract management system in the form of a price schedule;

(c) ensure that all original contract documentation is lodged with the Supply Chain Management Unit for record purposes;

(d) monitor, on a monthly basis, the performance of the contractor in order to ensure that all of the terms and conditions of the contract are met, including the contractor's obligations as regards Broad-Based Black Economic Empowerment, targeted labour and/or resources and local production and content, as applicable;

(e) where necessary, take appropriate action where a contractor is underperforming or is in default or breach of the contract;

(f) manage contract variation or change procedures;

(g) administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;

(h) conduct, as appropriate, post contract reviews;

(i) maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

(j) act with care and diligence and observe all accounting and legal requirements.

(k) Also refer to Contract management policy.

53. Contracts providing for compensation based on turnover

(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 –

(a) a cap on the compensation payable to the service provider; and

(b) that such compensation must be performance based.

54. Contracts having future budgetary implications

(1) A Municipality may enter into a contract which will impose financial obligations on the Municipality beyond a financial year, but if the contract will impose financial obligations on the Municipality beyond the three years covered in the annual budget for that financial year, it may do so only if—

(a) the Accounting Officer, at least 60 days before the meeting of the municipal council at which the contract is to be approved—

(i) has, in accordance with section 21A of the Municipal Systems Act—

(aa) made public the draft contract and an information statement summarising the Municipality's obligations in terms of the proposed contract; and

(bb) invited the local community and other interested persons to submit to the Municipality comments or representations in respect of the proposed contract; and

(ii) has solicited the views and recommendations of—

(aa) the National Treasury and the relevant provincial treasury;

(bb) the national department responsible for local government; and

(cc) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;

(b) the municipal council has taken into account—

(i) the Municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;

(ii) the impact of those financial obligations on the Municipality's future municipal tariffs and revenue;

(iii) any comments or representations on the proposed contract received from the local community and other interested persons; and

(iv) any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph *(a)*(ii)*(cc)*; and

(c) the municipal council has adopted a resolution in which—

(i) it determines that the Municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;

(ii) it approves the entire contract exactly as it is to be executed; and

(iii) it authorises the Accounting Officer to sign the contract on behalf of the Municipality.

(2) The process set out in subsection (1) does not apply to—

(a) contracts for long-term debt regulated in terms of section 46(3);

(b) employment contracts; or

(c) contracts—

(i) for categories of goods as may be prescribed; or

(ii) in terms of which the financial obligation on the Municipality is below—

(aa) a prescribed value; or

(bb) prescribed percentage of the Municipality's approved budget for the year in which the contract is concluded.

(3) (a) All contracts referred to in subsection (1) and all other contracts that impose a financial obligation on a Municipality—

(i) must be made available in their entirety to the municipal council; and

(ii) may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).

(b) Sub-Section *(a)* (i) does not apply to contracts in respect of which the financial obligation on the Municipality is below a prescribed value.

56. Sustainable procurement

Knysna Municipality is committed to reducing our carbon footprint.

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.

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.

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").

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.

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.

57. 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 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.

58. 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.

59. 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.

60. Emergency/disaster procurement process

The following process will be applicable to disasters to speed up recovery from the event or to enable services and goods to be delivered during the event.

Step	Process Step	Rationale	Responsible Person
1.	Is it a real need?	• A reason as to why it is required must be given. • An indication must be given regarding what value the product or service would add to the mandate of the Municipality as a whole.	Requestor
	Does any other component in the Municipality use	Where another component already uses the service or product, it makes logical sense to look at that existing contract to piggyback /	Requestor

Step	Process Step	Rationale	Responsible Person
	the product or service?	share in the contract where that product or service is required.	
	Is it linked to the budget?	Where there are *ad-hoc* requirements that fall with the advent of a particular event and thus the requirement could either, not be foreseen, planned or anticipated. This must be clearly documented. Where relevant, minutes of meetings / forums / cabinet decisions / e-mails, where such a requirement originated must be kept on file together with the identified requirement as it speaks directly to the identification of the need.	Requestor
	Is it an *ad-hoc* requirement and how did it come to be the responsibility of the Municipality?	Where it is linked to a strategy of the KFDRF, or relates to a particular policy decision, excerpts thereof must be attached in support of statements in motivation.	Requestor
	Does it have priority and why?	As far as it pertains to the priority of the project / service / product a clear motivation must be given, as it sets out the factors that determine the weight of the service / product required. This might include but is not limited to: ➢ Political will ➢ Legislative requirements / mandates	Requestor

Step	Process Step	Rationale	Responsible Person
		➢ Policy interventions ➢ National / Provincial programs or directives, etc.	
	Is there a scarcity of the specific commodity in the market / Country / Province?	Consideration that is general but also very important relates to issues such as: • Where a service or product is not readily available, it becomes harder to motivate the limitation of providers. • Strategic nature of commodity / service / product. • The more strategic, the subtler and thorough the approach. Even more important here is the identification and mitigation of risks.	Requestor
	Is there a time implication that necessitates urgent action?	The less time available for acquiring particular goods or services, the options in terms of procurement solutions are limited. Time or the limitation thereof also has a major impact on cost. Thus, one cannot expect a full spectrum of goods and services within a short period of time at the lowest possible cost. Trade-offs is a very real and quite important factor to consider in procurement.	Requestor

Step	Process Step	Rationale	Responsible Person
	Is there funding for this requirement and is the impact of this requirement known and accepted?	The less funding available, the more pressure is placed on following a limited, negotiated procurement process. Where there is an existing strain on the funding, it defeats the purpose to spend the bigger part of that on the procurement option rather than the service / product required.	Requestor
	Analysed the market to determine all possible option to satisfy the demand.	Understanding the market is key to ensure that the best procurement option is selected. It serves no purpose to select an open bidding process in a market that by virtue of the nature of the product / service required is inherently limited. This, in the true sense of the word, is fruitless and wasteful.	Requestor
	Does the geographic location of potential Service Providers have an impact on the selection process (i.e. Sole Supplier – Country)	The place where the service / product is needed at times is a factor that leads to the decision to limit service providers. A practical example here is isolated and / rural areas, or areas where there are no locally based services providers / products etc. In other words, where the commodity required is not locally available.	Requestor

Step	Process Step	Rationale	Responsible Person
	Is there any specific economic circumstances that indicate the utilisation of limited bids?	The economic climate plays a huge role as it relates to the availability of a particular service or product, the cost associated with it in a climate where the service is readily available (overprovided) as opposed to when it is scarce (over demand and under provision). Where it is thus possible to forecast a particular pattern as it relates to a specific commodity, this should be catered for as it ultimately impacts on procurement solutions available. **Socio-Economic Objectives** • For as much as cost is a heavy consideration, government is burdened with a socio-economic obligation to use procurement as a tool for economic empowerment of the historically marginalized. • To this end, who government buys from, at what cost and to what end is most certainly influenced by the legislative framework and the social policies pertaining to procurement. This inevitably also affects how contracts would be structured to meet socio-economic requirements expected.	Requestor

Step	Process Step	Rationale	Responsible Person
2	Procurement process	Procurement processes will be guided by the needs analysis conducted in 1 above and may include: (i) Direct negotiation (ii) Requisitioning of quotes per delivery (iii) Rotation basis of delivery (iv) Panel of service providers	Requestor
	Motivation	Procurement process and governance processes must be recorded as part of approval submission	Requestor
2	Approval of submission	Approval by CFO	CFO
3.	Appropriate agreement	Agreement criteria should be clear and specific and provided by the requestor.	Requestor
	Assignments	Contracts being inclusive of various deliverables must be managed on an assignment basis	
	Project plan should be included	The requestor should detail milestones.	Requestor
	Company Proposal attached	Detailed, valid, and legally acceptable proposal to be provided by the requestor	

Step	Process Step	Rationale	Responsible Person
	Details of payment structure clarified	Payment plan – agreed to by the supplier, to be provided by requestor	Requestor
	Declaration of interest	Declaration of interest by all relevant parties as per MBD's are compulsory	Requestor
	Declaration of collusive practices	Declaration of collusive practices – completed MBD declaration form	Requestor
	Ensure that a valid tax clearance certificate is provided	A valid tax certificate to be provided to complete the acquisition process	Requestor
4	Reporting of procurement process	Monthly statistics via SCM in the office of the CFO to Accounting Officer and Council	
5	Contract performance	Regularly monitor and report on contract performance	

61.Order types

Requisition amount (incl. VAT)	Order Type	Procedure	Approval
Up to R2000 and Petty cash 1 written quote	A order	Requisition to be completed by initiator & authorizer.	Within the delegated framework
R2001 to R29 999 (compliant i.e. 3 quotes)	B order	User department provide specifications to SCM. Advertise on notice board and website for three (3) days.	Within the delegated framework

		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.	
R2 001 to R199 999	C order	Requirement was advertised for B or R order types but did not receive 3 quotes.	Within the delegated framework
R2001 & above (non-compliant)	D order	The reason for non-compliance can only be one of the following: (i) Emergency - followed by the justification; (ii) Sole supplier – followed by the justification; (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;	Deviation memo must be attached reflecting the reason and including a justification. Must be signed off by the relevant Manager & Director. Approvals will be within the delegated framework.
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 Accounting Officer
Statutory: Payments that MUST be made. Legislative requirement	S order	Requisition to be completed by initiator & authorizer. Invoice to be attached to requisition. Statutory: Eskom, vehicle licence and registration fees, Salga, Refuse site - PetroSA, Transnet, interest and redemption, medical aid payments, Eden shop stewards, Auditor - General, Investments made by the Municipality,	Approvals will be within the delegated framework

		Telkom, Compensation Commissioner, SABC, ICASA, other municipalities, Registrar of Deeds, NHLS, SAMRO, all government departments – both national and provincial, Western Cape Economic Development Partnership, Juta and Company, Lexis Nexus, G4S, SCFPA, HPSA, SESI, claims from legal firms before, during and after litigation, attendance at conferences, WESSA, Wesgro and professional bodies municipal officials belong to.	
RFQ process At least 3 written quotes R30 0000 – R199 999	R order	Properly documented process within the prescribed framework.	Approvals will be within the delegated framework
Tender process Above R200 000	T order	Properly documented process within the prescribed framework.	Delegated committees

65. SCM delegations

KNYSNA
Municipality Munisipaliteit uMasipala

DELEGATION OF POWERS AND DUTIES of the ACCOUNTING OFFICER in terms of SECTION 79 of the MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003 from 1 July 2021	
Delegated by the Accounting Officer to all Directors	
These powers and duties may be sub-delegated to officials to be nominated in writing by the Accounting Officer or Directors, subject to the under-mentioned criteria, and further subject to the Council's Supply Chain Management Policy, financial regulations and council resolutions where applicable.	
APPROVAL OF REQUISITIONS FOR INVENTORY ITEMS FROM THE MUNICIPAL STORE	
VALUE	LOWEST LEVEL OF APPROVAL With due regard to proper segregation of duties Post level T12 and higher
Up to R 2 000	To be indicated by relevant Director to ensure service delivery efficiency

Over R 2 000 – R 30 000	To be indicated by relevant Director to ensure service delivery efficiency
Over R 30 000 – R 200 000	To be indicated by relevant Director to ensure service delivery efficiency
Over R 200 000	To be indicated by relevant Director to ensure service delivery efficiency

Approval of requisitions for direct purchases		
VALUE (Including VAT)	**QUOTATIONS / TENDERS**	**LOWEST LEVEL OF APPROVAL With due regard to proper segregation of duties**
Up to R 2 000	One (1) written price quotation	Post level T12 and higher
R2 000 - R30 000	Three (3) formal written price quotations and advertised on the noticeboard for 3 days	Post level T12 and higher subject to the recommendation of the responsible manager and SCM
R 30 001 – R 200 000	Formal written price quotations and advertised for 7 days on the official notice board and website of the Municipality in terms of Section 18(b)	Post level T12 and higher subject to the recommendation of the responsible manager and SCM
Over R 200 000 – R 10 million	Competitive Bidding to be awarded by a Bid Adjudication Committee	Managers or Directors subject to approval of the Bid Adjudication Committee and authorization R-value
Over R 10 million		Accounting Officer after recommendation from the Bid Adjudication Committee

Approval of deviations in terms of regulation 36 of the Supply Chain Management Regulations: CRITERIA for the consideration and approval of DEVIATIONS	
VALUE (Including VAT)	**LOWEST LEVEL OF APPROVAL**
Any value	Accounting Officer upon recommendation of the responsible Director, and after consultation with the Director: Finance and the Manager: Supply Chain Management

Delegated by the Accounting Officer to all Directors
These powers and duties may be sub-delegated to officials to be nominated in writing by the Accounting Officer or Directors, subject to the under-mentioned criteria, and further subject to the Council's Supply Chain Management Policy, financial regulations and council resolutions where applicable.

Extension or amendment of contracts	
Any value (change of scope, amendment, extension of time or increase in value)	Advertisement in terms of Section 116(3) of the MFMA and approval by Council. Valid reasons to be provided in memorandum to SCM. User department responsible for item to Council.
Signing of 14 or 21-day appeal or objection letters after BAC recommendation/award With due regard to proper segregation of duties	
Under R10 million	CFO/chairperson of the BAC
R10 million and up	Accounting Officer
Advertising of and approving of all specifications With due regard to proper segregation of duties	
R2 000 – up to R199 999	SCM Manager, after departmental manager approved it
R200 000 and above	Director responsible for the function after the BSC committee recommended it for approval CFO to confirm budget availability for tenders above R 10 million
Signing of final appointment letters after BAC award, contract forms and SLA With due regard to proper segregation of duties	
Under R10 million	Accounting Officer
R10 million and up	Accounting Officer
Approval of variation orders With due regard to proper segregation of duties	
Within the tender awarded amount and contingencies	Director responsible for the function
Appointment of members of BSC and BEC - from the list of Accounting Officer approved staff members With due regard to proper segregation of duties	
Any value	SCM Manager
Opening of bid boxes With due regard to proper segregation of duties	
Any value	At least 2 SCM officials
Signing of supplier related documentation and memorandums relating to SCM With due regard to proper segregation of duties	
Any	Accounting Officer
Signing of communication and approval of requests to use regulation 32 With due regard to proper segregation of duties	

R200 000 and above	Accounting Officer
Approval of C orders, where less than 3 quotations where received **With due regard to proper segregation of duties**	
Below R200 000	Manager: SCM

66. Commencement

This Policy takes effect on date of approval.

ANNEXURE A

Local Government Framework for Infrastructure Delivery and Procurement Management

Date of issue: 01 October 2020

Effective Date: 01 July 2022

national treasury

Department
National Treasury
REPUBLIC OF SOUTH AFRICA

Foreword

In 2012, the Infrastructure Delivery Management System (IDMS) was adopted as the chosen government wide system for infrastructure delivery in South Africa. In the same year (2012), the National Treasury, together with the eight metropolitan municipalities, initiated the customisations of the IDMS for implementation by municipalities. The product of that engagement became the Cities Infrastructure Delivery Management Toolkit (CIDMT), focusing mainly on cities or metros.

In order to establish a common approach to infrastructure delivery across all organs of state, the Standard for Infrastructure Procurement and Delivery Management (SIPDM) was issued for adaptation and adoption by municipalities in terms of Circular 77.

In the process of implementing and institutionalising the SIPDM, institutions expressed concerns regarding the operational challenges imposed by aspects of the SIPDM. This constraint was further compounded when the Preferential Procurement Regulations, 2017 were promulgated and effected, resulting in conflict between the SIPDM and the Regulations.

The National Treasury, in consultation with relevant stakeholders, initiated the SIPDM review process, which resulted in the development of the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM). The LGFIDPM provides for minimum requirements for effective governance of infrastructure delivery and procurement management. It also recognises the different capacities in the various categories of municipalities and therefore requests municipalities to review their institutional and capacities before adapting and adopting this model.

Introduction

a) The Integrated Development Plan (IDP) is the principal strategic planning instrument for municipalities. The IDP process requires a robust process of gathering and synthesising information related to the medium to long-term management of the Municipality's infrastructure needs.

b) The preparation of Roads and Storm Water Services, Water and Sanitation Services, Waste Disposal Services, Electricity Services and Community Facilities and Municipal Buildings, Infrastructure Asset Management Plans (IAMPs) enables municipalities to rank projects and determine budgets, based on a holistic view of local needs and priorities; and serves as a source of valuable information in preparing the IDP.

c) Through the Infrastructure Delivery Management System, Cities Infrastructure Delivery Management System was developed to provide a holistic system for the management of infrastructure based on the requirements of SANS 55001: Asset management tailored for application in South African metropolitan spaces and specifically in support of the country's spatial transformation agenda.

d) There is need to develop an infrastructure delivery management system tailor-made for all municipalities (excluding cities) which should integrate asset management strategy, policy to guide infrastructure planning, delivery management and decision making. The LGFIDPM introduces the initial process focusing on the project processes of the infrastructure delivery management and infrastructure procurement.

e) The Framework for Infrastructure Procurement Management should be implemented together with the project management processes, to ensure alignment, integration and efficient and effective service delivery.

1. Scope

1.1. The Local Government FIDPM applies to organs of state which are subject to the Municipal Finance Management Act (MFMA).

1.2. The Framework provides minimum requirements for the implementation of Infrastructure Delivery and Procurement Management through the:

a) Project processes for infrastructure delivery management, and

b) Infrastructure procurement gates.

1.3. The Framework specifies the allocation of responsibilities for performing activities and making decisions at project stages and procurement gates for infrastructure projects above the threshold of R50 million.

2. Terms and Definitions

Approved: **Officially agreed and signed-off by an Accounting Officer or a delegated person / body.**

Construction: **Everything constructed or resulting from construction operations.**

Employer: **Organ of state intending to, or entering into, a contract with a contractor.**

Gate: **A control point at the end of a process where a decision is required before proceeding to the next process or activity.**

Gateway review: **An independent review of the available information at a gate upon which a decision is made whether to proceed to the next process, or not.**

Infrastructure:

a) **Immovable asset, which is acquired, constructed or results from construction operations; or**
b) **Movable asset, which cannot function independently from purpose-built immoveable asset(s).**

Infrastructure delivery: **The combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.**

Infrastructure procurement: **The procurement of goods or services, including any combination thereof, associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.**

Organ of State: **Any department of state or administration in the national, provincial and local sphere of government.**

Procurement strategy: **The selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement.**

Project: **A unique set of processes consisting of coordinated and controlled activities with start and end dates, performed to achieve the project objective.**

Stage: **A collection of periodical and logically related activities in the Project Management Control Stages, that culminates in the completion of an end of stage deliverable.**

3. Abbreviations

CIDB	**Construction Industry Development Board**
IDP	**Integrated Development Plan**
FIDPM	**Framework for Infrastructure Delivery and Procurement Management**
MFMA	**Municipal Finance Management Act**
PSP	**Professional Service Provider**
PPPFA	**Preferential Procurement Policy Framework Act**
SCM	**Supply Chain Management**
SDBIP	**Service Delivery Budget Implementation Plan**

4. Normative references

4.1 Acts of Parliament

The following referenced Acts of Parliament are indispensable in the application of this document:

- **Architectural Profession Act, 2000 (Act No. 44 of 2000)**
- **Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)**
- **Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)**
- **Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)**
- **Division of Revenue Act (Annual)**
- **Engineering Profession Act, 2000 (Act No. 46 of 2000)**
- **Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)**
- **Municipal Finance Management Act, (No. 56 of 2003)**
- **Local Government: Municipal Systems Act, 2000 (Act No. 32 Of 2000)**
- **National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996)**
- **Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)**
- **Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)**
- **Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)**
- **Public Finance Management Act, 1999 (Act No. 1 of 1999)**
- **Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)**
- **Other Sector Specific Acts of Parliament.**

4.2 Regulations issued in terms of the MFMA and MFMA Circulars

- **Regulations issued in terms of the MFMA**
- **Preferential Procurement Policy Framework Act Regulations (PPPFA of 2017 or as amended from time to time) and circulars.**

4.3 Standards

- **Applicable Construction Industry Development Board Standard for Uniformity**
- **Construction Sector Code.**

4.4 Management System

- **Infrastructure Delivery Management System (IDMS)**
- **Cities Infrastructure Delivery Management Toolkit (CIDMT).**

4.5 National Treasury Guidelines

- **Local Government Capital Asset Management Guideline and Planning Guidelines**
- **Budget Facility for Infrastructure (BFI).**

4.6 Department of Cooperative Governance and Traditional Affairs Guidelines

- **Guidelines for Infrastructure Asset Management in Local Government.**

5. Framework for infrastructure delivery

5.1 The Infrastructure Delivery Management Project Processes

a) The project process of infrastructure delivery management contains control stage deliverables at the end of each stage. Table 1 outlines the stage deliverables that must be approved. The control stages are specific to project management processes; and outline and describe the stages in the life of a project from start to end. The specific stages are determined by the specific project's governance and control needs. The stages follow a logical sequence with a specified start and end. The deliverable is considered to have passed through the relevant stage when it is approved and signed off. The project then moves on to the next sequential stage. It is expected that the Municipality's organisation reflects an engagement between the Budget Treasury Office, Engineers and Planners when developing and approving projects. It is also expected that there should be engagements with the National and Provincial Treasury where appropriate or where projects dictate so.

Table 1: Project stage deliverables

Stage		Project Stage Deliverables
No	**Name**	**End of Stage Deliverables**
1	**Initiation**	**Initiation Report or Pre-Feasibility Report** (i) The Initiation Report defines project objectives, needs, acceptance criteria, organisation's priorities and aspirations, and procurement strategies, which set out the basis for the development of the Concept Report. Or (ii) A Pre-Feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient
2	**Concept**	**Concept Report or Feasibility Report** (i) The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach. The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions,

Stage		Project Stage Deliverables
No	**Name**	**End of Stage Deliverables**
		a) Document the initial design criteria, cost plan, design options and the selection of the preferred design option; or the methods and procedures required to maintain the condition of infrastructure, or the project. b) Establish the detailed brief, scope, scale, form and cost plan for the project, including, where necessary, the obtaining of site studies and construction and specialist advice. c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project. d) Include a site development plan, or other suitable schematic layouts, of the works. e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project. f) Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act. g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages. (iii) A Feasibility Report must provide the following minimum information: a) Details regarding the preparatory work covering: • A needs and demand analysis with output specifications.
3	**Design Development**	**Design Development Report** (i) The Design Development Report must, as necessary: a) Develop, in detail, the approved concept to finalise the design and definition criteria.
Stage		**Project Stage Deliverables**
No	**Name**	**End of Stage Deliverables**

Stage		Project Stage Deliverables
No	**Name**	**End of Stage Deliverables**
		b) Establish the detailed form, character, function and costings. c) Define the overall size, typical detail, performance and outline specification for all components. d) Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained.
4	**Design Documentation**	**Design Documentation** (i) Design documentation provides: a) the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction; b) the manufacture, fabrication and construction information for specific components of the work, informed by the
5	**Works**	**Completed Works capable of being used or occupied** (i) Completion of the Works Stage requires: a) Certification of the completion of the works in accordance with the provisions of the contract; or b) Certification of the delivery of the goods and associated services in accordance with the provisions of the contract.
6	**Handover**	**Works which have been taken over by the user or owner; Completed Training; Record Information** (i) The handover stage requires the following activities to be undertaken: a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;
7	**Close-Out**	**Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report**

Stage		Project Stage Deliverables
No	**Name**	**End of Stage Deliverables**
		(i) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when: a) Record information is archived; b) Defects certificates and certificates of final completion are issued in terms of the contract; c) Final amount due to the contractor is certified in terms of the contract; d) Close-Out Report is prepared by the Implementer and approved by the Municipality.

b) Procurement of PSPs and Contractors can occur at different points in the project stages.

c) Additional stages may be added to the described stages above, if deemed necessary. For example, additional stages could include those necessary to ensure that project activities are appropriately carried out and stages linked. Contract activities would, in many instances, be contingent upon the requirements of the specific contract being used.

d) For project progress using the project stages, reporting must be for the deliverable achieved in the stage immediately prior to the 'in progress' stage. For example, if a project is shown as being at Stage No. 3 (Design Development), it implies that the deliverable for Stage No. 2 (i.e. the Concept Report) has been achieved; and that the deliverable for Stage 3 (i.e. the Design Development Report) is in the process of being prepared.

e) Where an organ of state engages another organ of state to provide agency services, a service delivery agreement must be developed that outlines the roles and responsibilities for each organ of state; and establishes a relationship between the client and the implementer. The development of all deliverables should be carried out in a cooperative and consultative manner between the Client and Implementer parties. All deliverables must be developed and signed off in compliance with the specific service delivery agreement.

5.2 Gateway Reviews

5.2.1 Gateway reviews for mega capital projects

(i) The MFMA (Act 56 of 2003), section 19 (2) states: "Before approving a capital project in terms of subsection (1)(b), the council of a Municipality must consider the projected cost covering all financial years from the start until the project is operational; and the future operational costs and revenue on the project, including municipal tax and tariff implications."

(ii) The LGFIDPM prescribes the Gateway Review at the end of stage 2, as the minimum requirement to comply with section (i) above.

(iii) The focus of such a review must be on the quality of the documentation in the first instance, and thereafter on:

a) Deliverability: the extent to which a project is deemed likely to deliver;

b) Expected benefits: within the declared cost, time and performance area;

c) Affordability: the extent to which the project's level of expenditure and financial risk can be accepted, given the organisation's overall financial position, both singly, and when considering its other current and projected commitments; and

d) Value for money: The optimum combination of whole life costs and quality (or fitness of purpose), to meet the user's requirements.

(iv) A gateway review team must comprise of not less than three persons who are neither involved, nor associated with the project, but have a broad understanding of the subject matter.

(v) A gateway review must be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a statutory council under the built environment professions. The members of the team must, as relevant, have expertise in the key technical areas, cost estimating, scheduling and implementation of similar projects.

(vi) It is the duty of the institution's Accounting Officer or Authority to appoint a team responsible for the gateway review of his or her institution.

(vii) The gateway review team must base its findings primarily on:

a) The information contained in the end-of-stage deliverable;

b) Supplementary documentation, if any, provided by key staff and obtained during an interview process; and

c) Interviews with key staff members and stakeholders.

(viii) The gateway review team must issue a report at the conclusion of a gateway review, which reflects the team's assessment of the information at the end of a stage; and provides findings or recommendations on areas where further work should be undertaken to improve such information.

(ix) The gateway review findings must be classified by the gateway review team as:

a) Critical: Findings that pose adverse effect to the project or package. Critical findings are findings related to the stage deliverable that are wholly unacceptable.

b) Major: Findings that pose a potentially adverse effect to the project or package. Major findings are serious findings and are in direct violation of key legislation, e.g. The Constitution of the Republic of South Africa, the MFMA or the PPPFA.

c) Minor: Findings that do not pose any adverse effect to the project or package. Minor findings indicate the need for improvement of practices and processes.

(x) A Stage 2 deliverable must not be approved until such time that all findings have been resolved.

6. Framework for infrastructure procurement

6.1 Introduction

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation.

The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the Municipality's developmental and internal transformation needs, as specified in the IDP.

6.2 Minimum requirement for infrastructure procurement

6.2.1 Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.

6.2.2 Infrastructure procurement must be implemented in accordance with the institutional Supply Chain Management System, which promotes differentiated procurement for infrastructure.

6.2.3 Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in clause 6.3 below.

6.2.4 The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.

6.2.5 The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.

6.2.6 Procurement gates provided in 6.3 below must be used, as appropriate, to:

- a) Authorise commencement of activities that lead to the next control gate;
- b) Confirm conformity with requirements; and/or
- c) Provide information to eliminate any cause of non-conformity and to prevent reoccurrence.

6.2.7 The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.

6.2.8 The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.

6.2.9 The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy.

6.2.10 The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:

a) Procurement gate;
b) Delegated person/s or body;
c) Date on which the approval request was received;
d) Date on which the approval was actioned; and
e) Signature of the delegated person or body.

6.2.11 All assets must be recorded in the municipal asset register as required by the GRAP standards.

6.3 Infrastructure Procurement Gates

6.3.1 **Procurement** Gate 1 (PG 1)

a) **Initiate a procurement process;**

b) Minimum Requirement for PG 1:

1) **Establish and clarify the procurement need, aligned to the Municipality's development and transformation priorities specified in the IDP.**
2) **Determine a suitable title for the procurement, to be applied as the project description.**
3) **Prepare the broad scope of work for the procurement.**
4) **Perform market analysis.**
5) **Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.**
6) **Confirm the budget.**
7) **Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.**

c) PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.

6.3.2 **Procurement** Gate 2 (PG 2)

a) **Approve procurement strategy to be adopted.**

b) Minimum Requirement for PG 2:

1) **Develop a procurement strategy aligned to the institutional procurement strategy:**
   a. **Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.**
   b. **Identify service required for works.**

c. **Decide on contracting strategy.**

d. **Decide on pricing strategy.**

e. **Decide on form of contract.**

f. **Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code.**

c) PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.

6.3.3 **Procurement** Gate 3 (PG 3)

a) **Approve procurement documents.**

b) Minimum requirements for PG 3:

1) **Prepare procurement documents that are compatible with:**

(i) **approved procurement strategies.**

(ii) **project management design documentation.**

6.3.4 **PG 3 is complete when the Bid Specification Committee approves the procurement document.**

6.3.5 **Procurement** Gate 4 (PG 4)

a) **Confirm that cash flow processes are in place to meet projected contractual obligations.**

b) Minimum requirement for PG 4

1) **Confirm that cash flow processes are in place to meet contractual obligations.**

2) **Establish control measures for settlement of payments within the time period specified in the contract.**

c) PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.

6.3.6 **Procurement** Gate 5 (PG 5)

a) **Solicit tender offers.**

b) Minimum requirements for PG 5

1) **Invite contractors to submit tender offers.**

2) **Receive tender offers.**

3) **Record tender offers.**

4) **Safeguard tender offers.**

c) PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.

6.3.7 **Procurement** Gate 6 (PG 6)

a) **Evaluate tender offers premised on undertakings and parameters established in procurement documents.**

b) Minimum Requirement for PG 6:

1) **Determine whether tender offers are complete.**
2) **Determine whether tender offers are responsive.**
3) **Evaluate tender submissions.**
4) **Review minimum compliance requirements for each tender.**
5) **Perform a risk analysis.**
6) **Prepare a report on tender offers received, and on their achievement of minimum compliance.**

c) PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.

6.3.8 **Procurement** Gate 7 (PG 7)

a) **Award the contract.**

b) Minimum Requirement for PG 7:

1) **Bid adjudication committee review of the BEC evaluation report.**
2) **Bid Adjudication Committee makes an award.**
3) **Accounting Officer approval of the tender process.**
4) **Notify successful tenderer and unsuccessful tenderers of the outcome.**
5) **Sign contract document.**
6) **Formally accept tender offer.**

c) PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.

6.3.9 **Procurement** Gate 8 (PG 8)

a) **Administer and monitor the contract.**

b) Minimum Requirements for PG 8:

1) **Finance department to:**
   (i) **Capture contract award data.**
   (ii) **Manage cash flow projection.**
   (iii) **Administer contract in accordance with the terms and provisions of the contract.**
2) **Delivery department to:**
   (i) **Ensure compliance with contractual requirements.**

c) PG 8 is complete when a delegated person captures the contract completion/termination data (close out reports and relevant documents), including payment certificates due.

Annexure B

CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

1 General Principles

1) The Municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.
2) Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.
3) Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

2 Conflict of interest

1) An official or other role player involved with supply chain management –
   a) must treat all providers and potential providers equitably;
   b) may not use his or her position for private gain or to improperly benefit another person;
   c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
   d) must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
   e) must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the Municipality;

f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;

h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and

i) should not take improper advantage of their previous office after leaving their official position.

3 Accountability

1) Practitioners are accountable for their decisions and actions to the public.

2) Practitioners should use public property scrupulously.

3) Only Accounting Officers or their delegates have the authority to commit the Municipality to any transaction for the procurement of goods and / or services.

4) All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system.

5) Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

6) Practitioners must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

7) Practitioners must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

   a) any alleged fraud, corruption, favouritism or unfair conduct;

   b) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and

   c) any alleged breach of this code of conduct.

8) Any declarations made must be recorded in a register, which the Accounting Officer must keep for this purpose.

9) Any declarations made by the Accounting Officer must be made to the mayor who must ensure that such declaration is recorded in the register.

4 Openness

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

5 Confidentiality

1) Any information that is the property of the Municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.

2) Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

6 Bid Specification / Evaluation / Adjudication Committees

1) Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the Municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

2) Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

3) All members of Bid Adjudication Committees should be cleared by the Accounting Officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.

4) No person should –

    a) interfere with the supply chain management system of the Municipality; or

    b) amend or tamper with any price quotation / bid after its submission.

7 Combative Practices

1) Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

    a) Suggestions to fictitious lower quotations;

    b) Reference to non-existent competition;

    c) Exploiting errors in price quotations / bids;

Policy C6:

Cash Management and Investment Policy

Knysna
Municipality Munisipaliteit uMasipala
inclusive · innovative · inspired

2022/2023 Cash Management and Investment Policy

March 2022

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1. INTRODUCTION

The Municipal Manager has an obligation in terms of Section 62(1)(a) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA) to ensure that all the resources are used effectively, efficiently and economically.

The Municipality has an obligation in terms of section 13 of the MFMA to establish an appropriate and effective cash management and investment policy.

The purpose of this policy is to establish a cash management and investment framework for the Municipality and to set out the objectives, policies, statutory requirements and guidelines. This includes defining levels of risk considered prudent for investing surplus funds.

2. SCOPE OF THE POLICY

In order to ensure sound and sustainable management of the cash resources of the Municipality this policy addresses all principles and processes involved in cash management and investments and includes:

2.1 The objectives of the policy;

2.2 Due care;

2.3 Delegation of authority;

2.4 Management and internal control procedures;

2.5 Cash Management;

2.6 Investments;

2.7 Risk Management

2.8 Review of the policy.

3. OBJECTIVES OF THE POLICY

The objectives of the policy are to –

3.1 Sketch the general framework within which the Municipality should invest and manage funds;

3.2 Ensure compliance with all legislation governing the investment of funds;

3.3 Maintain adequate liquidity to meet cash flow needs;

3.4 Ensure diversification of permitted investments;

3.5 Ensure optimal performance with the least possible risk, in managing and investing the cash resources of the Municipality; and

3.6 Ensure transparency, accountability and appropriate lines of responsibility in the process.

4. DUE CARE

4.1 Each functionary in the cash management and investment process must do so with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs and with his or her primary regard being to the probable safety of his or her own capital, in the second instance to his or her liquidity needs and lastly to the probable income derived.

4.2 Officials entrusted with investment and management of funds, have a responsibility and are accountable to the community to exercise due care when investing funds.

4.3 Speculation may not be undertaken in any of the processes.

5. DELEGATION OF AUTHORITY

5.1 In terms of Section 79 of the MFMA, the Municipal Manager must develop an appropriate system of delegation.

5.2 The delegation to withdraw money from the Municipality's bank or investment accounts may only be given to the Chief Financial Officer or any other senior financial officer as determined, in writing by the Municipal Manager and of which a copy, signed by the Municipal Manager or approved by Council, must be kept with the official set of delegations of the Municipality.

5.4 That Council's Delegation to the Municipal Manager be amended as follow:

"To make investments on behalf of the Municipality within a policy framework determined by the Minister of Finance and the investment of surplus funds in terms of Council policy. This power may be sub-delegated to the Chief Financial Officer, who, on a monthly basis, will report on investments made to the Municipal Manager."

6. MANAGEMENT AND INTERNAL CONTROL PROCEDURES

6.1 The Municipal Manager, assisted by the Chief Financial Officer, must take all reasonable steps to ensure:

6.1.1 That the Municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;

6.1.2 That the Municipality has and maintains a management, accounting and information system that accounts for all bank and investment accounts, receipting, withdrawals, cash management and investment transactions;

6.1.2 That, in the case of investments, such investments are valued in accordance with the generally recognised accounting practice (GRAP) guidelines and standards; and

6.1.3 That the Municipality has and maintains a system of internal control over its bank and investment accounts, receipting, withdrawals, cash management and investment transactions.

6.2 The internal control procedures involve the Internal Audit Activity and the Auditor General reviewing and testing the systems of the Investment section on a regular basis. In order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the investment and cash management portfolios.

6.3 Controls deemed most important include –

6.3.1 Control of collusion, separation of duties;

6.3.2 Custodial safekeeping;

6.3.3 Clear delegation of duties;

6.3.4 Written confirmation of telephonic transactions;

6.3.5 Minimising the number of authorised investment officials;

6.3.6 Checking and verification by senior officials of all investments and approval by Municipal Manager

6.3.7 Documentation of transactions and strategies;

6.3.8 Code of ethics and standards;

6.3.9 Procedures manuals;

6.3.10 Electronic Funds Transfer; and

6.3.11 Regular reporting to Committee of all investments

7. CASH MANAGEMENT

7.1 BANK ACCOUNT ADMINISTRATION

7.1.1 The Municipal Manager or delegated nominee is responsible for the administration of the Municipality's bank accounts including the opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 3 of the Act as well as section 64 of the Act.

7.1.2 The Municipal Manager may delegate the duties attached to the administration of the bank accounts as per paragraph 5 of this policy.

7.1.3 The Municipal Manager (MM), in conjunction with the Chief Financial Officer (CFO) is responsible for the effective and efficient management of the council funding, namely

7.1.3.1 The Municipality must open at least one bank account in the name of the Municipality;

7.1.3.2 The Municipality may not open a bank account –

7.1.3.2.1 abroad;

7.1.3.2.2 with an institution not registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990); or

7.1.3.2.3 otherwise in the name of the Municipality.

7.1.3.2.4 ensure that its funding always has sufficient money for appropriated expenditure and direct charges to meet the progressive cash flow requirements.

7.1.4 Bank account requirements, guidelines and regulations in terms of sections 7, 8, 9, 10 and 11 of the MFMA are adhered to.

7.1.5 Ensure that the Municipality accounts daily for the cash movements of all bank accounts in the financial records.

7.1.6 The Municipal Manager, in conjunction with the CFO are responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management for the treasury and budget offices.

7.1.7 Sound cash management would include –

7.1.7.1 Collecting revenue when it is due and banking it promptly;

7.1.7.2 Making payments, including transfers, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the Municipality's normal terms for account payments;

7.1.7.3 Avoiding prepayments for goods or services (i.e. payments in advance of the receipt of the goods or services), unless required by the contractual arrangements with the supplier;

7.1.7.4 Accepting discounts to effect early payment only when the payment can be accommodated in the monthly cash flow estimates and is in accordance with the Municipality's normal terms for account payments;

7.1.7.5 Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the Municipality are collected and banked promptly;

7.1.7.6 Accurately forecasting the Municipality's cash flow requirements so that the National Treasury can optimise its central cash management responsibilities on behalf of the government;

7.1.7.7 Timing the inflow and outflow of cash;

7.1.7.8 Recognising the time value of money, i.e. economically, efficiently and effectively managing cash;

7.1.7.9 Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under-utilised assets in terms of the asset management policy;

7.1.7.10 Performing bank reconciliation on a daily basis to detect any unauthorised entries; and

7.1.7.11 Segregation of duties to minimise the incidence of fraud.

7.1.8 Only Council's own money is permitted (Private money and private bank).

7.1.9 Duly delegated officials to approve warrant vouchers and electronic payments in line with the delegation register.

7.1.10 Cheques are no longer accepted by banks and therefore will not be used by the Municipality as a payment method.

7.1.11 Deposit all money received into the bank account(s) promptly and in accordance with the MFMA, Chapter 3.

7.1.12 Withdrawals from bank account(s) should be completed in terms of the MFMA, Section 11.

7.1.13 Designate and advise NT in writing of details of the primary bank account, or any change in the primary bank account.

7.1.14 In cases where a Municipality has more than one bank account, ensure that only the Municipal Manager or CFO is delegated authority to withdraw funds from the primary bank account.

7.1.15 Check to ensure that all relief, charitable and trust accounts are set up in the name of the Municipality and are administered by the Municipal Manager.

7.1.16 Deposit all money received for relief, charitable and trust accounts into the correct account, and make withdrawals from those accounts only for the purposes for which the fund was established and where appropriately authorised by the Municipal Manager in terms of the MFMA.

7.1.17 Notify NT of occasions when the bank account(s) of the Municipality show an (consolidated) overdraft position for a period exceeding a prescribed period, and provide details of the amount, the reasons for the overdraft and the steps taken to correct the matter.

7.1.18 Table in Council a report of withdrawals each month

7.1.19 Submit to Provincial Treasury and the Office of the Auditor General written details of new bank accounts when opened, and all bank accounts each year.

7.2 RECEIPTING MANAGEMENT

7.2.1 The Municipal Manager is responsible for the administration of all receipting procedures and must take all reasonable steps to ensure receipting is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 64 of the Act.

7.2.2 The Municipal Manager may delegate the duties attached to receipting as per paragraph 5 of this policy.

7.3 EXPENDITURE MANAGEMENT

7.3.1 The Municipal Manager is responsible for the administration of all expenditure procedures and must take all reasonable steps to ensure expenditure is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 65 of the Act, giving due consideration to Section 11 of the Act.

7.3.2 The Municipal Manager may delegate the duties attached to expenditure as per paragraph 5 of this policy.

7.4 WITHDRAWALS

7.4.1 The Municipal Manager is responsible for the administration of all withdrawals procedures and must take all reasonable steps to ensure withdrawals are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 11 of the Act.

7.4.2 The Municipal Manager may delegate the duties attached to withdrawals as per paragraph 5 of this policy.

7.5 DEBT MANAGEMENT

7.5.1 In order to ensure adequate cash – flow the Municipality may incur short – or long-term debt, provided that the Council approves all debt agreements, the Mayor must sign the resolutions approving the debt agreements and the Municipal Manager signed the debt agreements.

7.5.2 The Municipality is, in terms of Section 46(5) of the Local Government: Municipal Finance Management Act, 2003, allowed refinancing its long – term debt for the purpose of saving on the cost of debt.

7.5.3 The Municipal Manager is responsible for the administration of all debt procedures and must take all reasonable steps to ensure debt is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 6 of the Act.

7.5.4 The Municipal Manager may delegate the duties attached to debt management as per paragraph 5 of this policy.

7.6 CASH – FLOW BUDGET

7.6.1 In order to ensure that the Municipality has sufficient cash available to comply with the Municipality's commitments to its lenders, creditors, statutory payments and any other commitments, it is necessary to annually compile and submit to Council, as part of the budget documentation, a cash-flow projection for the budget year, broken down per month.

7.7 WORKING CAPITAL MANAGEMENT

7.7.1 The Municipal Manager must take all reasonable steps to ensure that the Municipality obtains maximum performance on its assets and for this purpose the working capital of the Municipality must as far as possible be managed to the maximum benefit of the Municipality.

7.7.2 The exercise to provide for a sufficient level of working capital must be done as part of the budget process in order to budget accordingly. Inventory levels for own use, must be kept as low as possible, creditors must be paid within 30 days of date of receipt of invoice or statement, whichever is the latest or applicable but as late as possible but with due regards to possible discounts on offer and all steps, consistent with the Council's Credit Control and Debt Collection Policy, must be taken to recover moneys due to the Municipality.

7.7.3 Investments are made over a short term (less than a year) in order to manage the liquidity risks of the Municipality and not impact the long term financial plan of the Municipality.

7.8 CASH PROCEDURES

7.8.1 **Payments received at the Municipal Cashiers, Traffic and Amenities / Resorts.**

7.8.1.1 Internal Controls:

7.8.1.1.1 Segregation of duties (Cashier and Banker);

7.8.1.1.2 Rotation and switching of Cashiers, must be preceded by a cash up procedure (including the float on hand).

7.8.1.1.3 Cash float values should be recorded.

7.8.1.1.4 Cash floats should be periodically reviewed and should be sample checked on a daily basis;

7.8.1.1.5 Shortages and surpluses in cash should be recorded.

7.8.1.2 Issuing of Receipts:

7.8.1.2.1 All payments should be accompanied by a computer generated receipt.

7.8.1.2.2 Receipts numbers should be sequential and missing sequences should be accounted for.

7.8.1.2.3 Original receipts must be given to the customer.

7.8.1.2.4 A duplicate computer generated receipt should be printed for the audit and paper trail purposes.

7.8.1.2.5 The following should appear on a computer generated receipt –

7.8.1.2.5.1 Date on which the receipt was issued;

7.8.1.2.5.2 Amount for which the receipt was issued;

7.8.1.2.5.3 Cashier responsible for issuing the receipt;

7.8.1.2.5.4 Vote or Account to which the payment is to be credited;

7.8.1.2.5.5 Type of payment transaction (cash, debit order, etc.); and

7.8.1.2.5.6 Computer generated receipt number.

7.8.1.3 Cancellation of Receipts:

7.8.1.3.1 Receipts that are cancelled are to be clearly marked with cancelled written across the face of the receipt.

7.8.1.3.2 Cancelled receipts are to include the original receipt (attached to transaction report).

7.8.1.3.3 Reasons for the cancellation are to be marked on the cancellation summary and should include the signatures of the cashier and banker / senior cashier.

7.8.1.3.4 The transaction trail for the Cashier for the day should be reconciled to the number of cancelled receipts on hand.

7.8.1.4 Cash Balancing:

7.8.1.4.1 The deposit bags must be collected on every business day. The Senior Cashier must report any problems experienced in this regard to the Accountant immediately.

7.8.1.4.2 Cash on hand should be counted and the cash float should be removed before balancing to the computer records for the receipts of the day, for a given cashier.

7.8.1.4.3 Balancing of the cash on hand to the computer records must be performed by means of reconciliation before closing of offices every day.

7.8.1.4.5 Senior Clerk is responsible for ensuring that the receiving correspond with the amount deposited.

7.8.1.4.6 Shortages must be paid in within 24 hours by the Cashier and surpluses are receipted into the cashier surplus line-item the following day.

7.8.1.4.7 Cashiers bank deposit is checked by the balancing clerk and placed in the deposit bag and is sealed before close of day.

7.8.1.4.8 Bank deposits are locked in the safe for collection by the security firm, the following day.

7.8.1.4.9 The Cashiers float is locked away by the balancing clerk in the strong room, and handed back to the cashier the following day.

7.8.1.4.10 Day end cash-up procedures must be completed daily. The number on the deposit bag is recorded in the bank deposit book by the balancing clerk.

7.8.1.4.11 The Security firm responsible for banking the municipal takings records the bag number in their records and the balancing clerk and the Security firm representative sign the documentation as receipt of the takings from the Municipality to the Security firm for banking purposes.

7.8.1.4.12 All the documentation of a cashier for each day, including daily summary sheet, cancelled receipts, signed cancellation form, canister deposit slips, stamped bank deposit slips, etc. must be kept together in a file and sent to the Senior Clerk – Cashiers for audit purposes. This file may only be taken out of the Senior Clerk office after signing a register with the necessary motivation.

7.8.1.4.13 As the cashier is responsible for the cash he/she must at all times ensure that the cash in his/her possession is safely locked away.

7.8.1.4.14 No person other than the cashier, balancing clerk or accountant is allowed in the cashier's cubicle.

7.8.1.5 Deposit Books for Municipal Takings:

7.8.1.5.1 The deposit book serves as an agreement between the Municipality and the bank of the funds forwarded to the bank for deposit purposes, into the appropriately defined Municipal banking account.

7.8.1.5.2 Completion of deposit slips (in ink), by the balancing clerk, must be appropriate, comprehensive and accurate.

7.8.1.5.3 The deposit book sheets are in triplicate –

- Original for the bank;
- Copy 1 for the Cashier; and
- Copy 2 fast copy (book).

7.8.1.5.4 The original and copy of the deposit books are forwarded to the bank for stamping purposes.

7.8.1.5.5 On return from the bank the stamped deposit slips are reviewed by the balancing clerk to follow-up on any discrepancies.

7.8.1.5.6 The stamped deposit slips are attached to each of the cashier's daily summary sheets.

7.8.2 Other Payment Methods

These relate to other payment mediums such as internet banking, direct deposits, ACB's, Post Office Transactions, Easy Pay, Pay@, Spar, etc.

7.8.2.1 Direct Deposits:

7.8.2.1.1 These transactions are handled by the dedicated person in finance;

7.8.2.1.2 Direct deposits are automated to update individual debtor's accounts.

7.8.2.2 Easy Pay and Other external vendors:

7.8.2.2.1 All payments transactions received from the external vendors are handled by the data processing official by means of an internet download and transfer to the Financial System.

7.8.2.2.2 Balancing of the Easy Pay; Pay@ and other external vendors completed by the Senior Clerk: Cashbook and VAT.

7.8.2.2.3 Variances are followed up by the data processing official.

7.8.2.3 Cheque Deposits

7.8.2.3.1 No Cheque deposits will be accepted due to the discontinuation of cheques.

7.8.2.4 Unallocated deposits

7.8.2.4.1 Unidentified deposits should be investigated by the senior cashier and transferred by the Accountant: Services to surplus funds after a period of 1000 days had expired.

8. INVESTMENTS

8.1 INVESTMENT MANAGEMENT

8.1.1 The Municipal Manager is responsible for the administration of all investment procedures and must take all reasonable steps to ensure investments are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 13 of the Act.

8.1.2 The Municipal Manager may delegate the duties attached to investments as per paragraph 5 of this policy.

8.2 INVESTMENT ETHICS

8.2.1 All functionaries in the investment management process must act with fidelity, honesty, integrity and in the best interest of the Municipality and must seek, within the spheres of influence of the functionaries, to prevent any prejudice to the investments of the Municipality.

8.2.2 No functionaries in the investment management process may use their position or privileges of, or confidential information obtained as, functionary in the process for personal gain or to improperly benefit another person. Interest rates quoted by one institution should never be disclosed to another.

8.2.3 No person contracted by the Municipality for the purpose of investments or no person submitting quotes, bids or any other means of competitive submissions may, either directly or through a representative or intermediary promise, offer or grant any reward, gift, sponsorships, loan, bursary, favour or hospitality to –

8.2.3.1 any official, spouse or close family member of such official or spouse; and

8.2.3.2 any councillor, spouse or close family member of such councillor or spouse.

8.2.4 The Municipal Manager must promptly report to the Mayor and National Treasury any alleged contravention of the above and may make recommendations as to whether the alleged offending party should be listed on the National Treasury's database of persons prohibited from doing business with the public sector. Any such report by the Municipal Manager must give full details of the alleged breach and a written response from the alleged offending party, as well as proof that the alleged offending party received the allegations in writing and were given at least 7 (seven) working days to respond, in writing, to the allegations.

8.2.5 Any sponsorship promised, offered or granted to the Municipality must promptly be disclosed to the National Treasury.

8.2.6 Investments by a Municipality on behalf of a Municipality –

8.2.6.1 Must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;

8.2.6.2 May not be made for speculation but for investment; and

8.2.6.3 Must in the first instance be made with primary regard being to the probable safety of the investment, the second instance to the liquidity needs of the Municipality or entity and lastly to the probable income derived from the investment.

8.3 INVESTMENT OBJECTIVES

8.3.1 Objective 1 – Security

The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement that investments may only be made with institutions with a credit–worthy rating of F1 (Fitch) and better. Any investments made must be liquidated if an institution's credit–worthy rating falls below the level of F1 (Fitch).

8.3.2 Objective 2 -Liquidity

The cash – flow budget must be used as an instrument in determining liquidity needs. Other factors such as the payment runs for creditors, dates for salary and statutory payments and dates for debt repayments must also be brought into account to ensure cash requirements, and resultant investment periods, are being calculated to such an extent that maximum yield on surplus cash can be obtained.

8.3.3 Objective 3 -Yield

It is necessary to ensure optimal yield on the Municipality's investments, but a higher yield should never increase the risk of preservation and safety of the principal amount invested or not meeting cash – flow requirements. Where an institution has a sudden increase above the average market increase in investment returns, the Municipal Manager must determine whether the institution is in liquidity or financial problems, and in such an instance liquidate the investments with such an institution as soon as possible.

8.4 TYPES OF INVESTMENT ACCOUNTS

8.4.1 Cash reserves (working capital) at year end to be determined as follows:

The following funds, reserves, liabilities and provisions must be cash-backed always:

- Unspent conditional grants;
- Housing development fund;
- Unspent loans;
- Loan repayments due;
- Provision for environmental rehabilitation;
- Employee benefit obligation;
- Consumer deposits;
- Capital Replacement Reserve; and Working capital (to be equal to budgeted fixed operating expenditure divided by 12).

Where this section of the policy may affect comparative information in the AFS, the policy is applicable to the comparative period as well.

8.4.2 Where a Trust Deed prescribes how the trust money is to be invested, the prescriptions in the Trust Deed will prevail over this policy.

8.4.3 It is a general principle, the higher the investment the better the yield, and for this purpose, the Municipal Manager should combine as much cash as possible, and invest it together.

8.5 APPROVED INVESTMENTS

8.5.1 Investments should be structured according to the best yield available and the liquidity needs of the Municipality. This can include Call Deposits and Fixed Term Deposits subject to paragraph 8.3

8.6 QUALIFYING INSTITUTIONS

8.6.1 It is of utmost importance that the investments only be placed with creditworthy institutions with a credit – rating of F1 (Fitch) and better

8.6.2 Fitch ratings to be obtained of all investment institutions before a financial institution may be considered for investing funds.

8.6.3 Ratings must be updated at least annually or when there has been structural change in the market or at the particular institution.

8.6.4 The optimal combination of the most favourable rated institution and the institution offering the best returns for the investment sought, should be the determining factor when choosing the institution.

8.6.5 Only deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990) are permitted.

8.7 INVESTMENT DIVERSIFICATION

8.7.1 Without limiting the Municipal Manager to any specific amount or percentage of investments, it is hereby established that investments made by the Municipality should be diversified as much as possible between different institutions, maturity dates and types, but nothing prevents the Municipal Manager from investing more cash with an institution than by another institution with due regards to the standard of care and objectives set in this policy.

8.7.2 Having determined that funds are available for investment and the maximum period for which the funds may be invested, the CFO (or his delegated nominee in the treasury and budget section) needs to consider the manner in which the investments are placed. As rates can vary according to the money market perception related to the term of the investment, there is merit in obtaining quotes for periods within the maximum determined.

8.8 COMPETITIVE SELECTION OF BIDS OR OFFERS

8.8.1 In establishing where investments must be made, at least 3 (three) written quotations must be obtained by the Municipal Manager (or his/her delegated nominee in terms of the delegation register) from any of the institutions listed in paragraph 8.6 above. The Municipal Manager (or his/her delegated nominee in terms of the delegation register) may not divulge interest rates to other institutions during the quotation process.

8.8.2 Where funds are held in current account, it is possible and good practice to negotiate deposits at more beneficial rates, e.g. call deposits.

8.8.3 These rates can normally be bettered by fixed terms investments. The over – riding principle is that funds in the current account must be kept to the minimum, subject to relevant cash flow requirements.

8.9 CALL AND FIXED DEPOSIT PROCEDURES

8.9.1 Quotations should be invited from at least three financial institutions for the term for which the investment is to be placed. In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the institutions invited to quote should be approached for their rates on the alternative term.

8.9.2 Requests for written quotations may be obtained telephonically

8.9.3 The person responsible for calling for quotations from institutions should note the name of the institution and the terms and interest applicable, e.g. whether interest is payable monthly or on maturity.

8.9.4 Having obtained the necessary number of quotations, the decision needs to be made regarding the best terms offered and the institution with who the investment is to be placed. With due regard to the investment principles, it is customary to accept the best offer made (but subject to the total amount already invested with such institution) and no further negotiations are to be entered into with any of the persons who have tendered their investment rates and terms in an effort to try and push up one against the other.

8.9.5 Having been invited to quote on a particular package, institutions should be advised that they must offer their best rate when they respond and that no further negotiation or discussion will be entered into.

8.9.6 The above procedure should be followed whether placing one's monies on a fixed investment or on a call basis.

8.9.7 As a standard practice investment are only made directly with the Banks and not through intermediaries.

8.9.8 Once a schedule of investment options has been prepared a recommendation should be made to the CFO for approval.

8.9.9 The necessary documents for investing purposes should be completed and the persons involved with the investment should preferably not be the same two signatories that authorise the electronic funds transfer for payment.

8.9.10 An investment register should be maintained, defining the following detail

8.9.10.1 Institutions, per institution;

8.9.10.2 Institution percentage held as a percentage of the total Municipal investment portfolio;

8.9.10.3 Type of investment;

8.9.10.4 Investment time period / lifespan;

8.9.10.5 Amount invested;

8.9.10.6 Interest percentage receivable on the investment;

8.9.10.7 Engagement date;

8.9.10.8 Maturity date; and

8.9.10.9 Fully accrued interest and yield for the reporting period

8.9.11 In accordance with the provincial notice on archiving, investment records are to be retained by the Local Authority for an indefinite period.

8.10 COMMISSIONS OR COSTS

No commission for investments made or referred is payable to an official or Councillor, or spouse, business partner or close family member of an official or Councillor by an institution or Investment Fund manager.

8.11 PERFORMANCE AND MONITORING

The Municipal Manager must annually measure the performance and regularly monitor its investment portfolio.

8.12 FORBIDDEN ACTIVITIES

8.12.1 No investments may be made other than in the name of the Municipality.

8.12.2 Money may not be borrowed for the purpose of investments

8.12.3 No person, including officials and Councillors, may interfere or attempt to interfere in the management of investments entrusted to the Municipal Manager or persons delegated by the Municipal Manager, including Investment Fund managers.

8.12.4 No investments may be made other than be denominated in Rand and which is not indexed to, or affected by, any fluctuations in the value of the Rand against any foreign currency.

8.13 REPORTING REQUIREMENTS

The necessary reporting requirements as set out in the Municipal Investment Regulations to be adhered to.

9. RISK MANAGEMENT

Whilst the investments made in accordance to Section 13 of the MFMA are inherently low risk, when exercising the power of investment, the following principles are also to be given due consideration:

- In order to determine the working capital of the Municipality, the cash flow is considered together with the maturity dates and types of all investments;
- The purpose of the investment and its needs together with the circumstances;
- The nature of and the risk associated with the different investments;
- The risk of capital loss or income loss;
- The likely return and the timing of that return;
- The liquidity and the marketability of the proposed investment during, and at the determination of the term of the proposed investment;
- The aggregate value of the investment;
- The costs of making the proposed investment;
- The ethicality and reputation risk of the investment; and
- Due consideration that all investments not made with one institution (the concentration of investments).

10. REVIEW OF THE POLICY

10.1 This Cash Management and Investment Policy is the sole policy governing cash management and investments in the Municipality. The Municipal Council must approve any reviews to this policy.

10.2 The Mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.

10.3 Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.

Policy C7:

Funding and Reserves Policy

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2022/2023

Funding & Reserves Policy

March 2022

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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 Operating Budget should be cash funded.
b) The Operating Budget is funded from the following main sources of revenue:
    i) Property Rates;
    ii) Service Charges;
    iii) Government Grants and Subsidies; and
c) Other revenue, fines, interest received etc.
d) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information[1].
e) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay.
f) 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.
g) Revenue from public contributions, donations or any other grants may only be included in a budget (Adjustment or Original budget) if there is acceptable documentation that guarantees the funds.
h) Projected revenue from service charges must be reflected as net (i.e. all billing less revenue foregone, including free basic services, discounts and rebates).
i) Projected revenue from property rates must include all rates to be levied. All rebates and discounts must be budgeted for as revenue foregone.
j) 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.

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[1] Refer also to the Rates Policy, Section 3. principles

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

l) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total as well as new and/or funded vacant positions. .

m) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure.

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. Provision for acquiring non-revenue generating assets will be made by way of utilising other funding sources as a first option.

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 indictors to within acceptable levels[2].

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:

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[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

- 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, by providing a *minimum of one month's operational expenditure excluding debt impairments, depreciation and other non-cash expenses should be available for liquidity cover.*

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 OFFSETS[5]

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.

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.

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[4] Supporting Table SA10 Funding measurement: indicator no. 3
[5] Supporting Table SA10 Funding measurement: indicator no. 4

2.8.4.3 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET[6]

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.

[6] Supporting Table SA10 Funding measurement: indicator no. 5

2.8.4.4 CASH COLLECTION PER CENTRATE[7]

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.

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 REVENUE[8]

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 100% ~~per 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.

[7] Supporting Table SA10 Funding measurement: indicator no. 6
[8] Supporting Table SA10 Funding measurement: indicator no. 7
[9] Supporting Table SA10 Funding measurement: indicator no. 8

2.8.4.7 GRANT REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE[10]

The percentage attained should never be less than 100% ~~per 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 LEVEL[12]

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 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.

[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

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 TableA9 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 LEVEL[15]

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]

[13]Based 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. According to Generally Recognised Accounting Practices (GRAP), such reserves may only be created if such reserves are cash backed.

3.3 TYPES OF RESERVES

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

3.3.1 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 and augmentation fees, will be transferred to the CRR in order to build resources for the acquisition of future assets.

3.3.2 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 and Valuation 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 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: CORPORATE GOVERNANCE (OVERSIGHT)

4.1 Compliance with the various stipulations as documented in this Funds and Reserves Policy needs to be monitored by the Chief Financial Officer and reported on to the Accounting Officer on a monthly basis and to the Finance/Audit Committee on a quarterly basis.

4.2 Where compliance has been breached the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

5. SECTION D: TRANSITIONAL ARRANGEMENT

5.1 Upon adoption of this policy by the Council, the Accounting Officer in conjunction with the Chief Financial Officer must determine the current performance levels of the

Municipality against this Policy and present a plan of action towards achieving and maintaining the stipulation as set out in this policy thereby utilising a more blended funding mix for capital infrastructure investment.

5.2 The Council must approve an appropriate timeframe within which the Municipality must achieve the approved stipulations as set out in this Policy. The period between the date of the policy adoption by Council and the target date for compliance shall be known as the Transitional Period.

5.3 The Finance Committee must report progress during the approved Transitional Period to the Council.

6. SECTION E: 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

1. 2

Policy C8:

Liquidity Policy

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2022/2023

Liquidity Policy

March 2022

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1. *Introduction*

The documented Liquidity Policy sets out the minimum risk management measures that Knysna Municipality has to implement and adhere to in order to ensure that its current and future liquidity position is managed in a prudent manner.

Liquidity is the amount of cash and / or "near cash" (which refers to assets or security that can easily and quickly be converted to cash), available to be utilized to meet obligations and/or pay commitments. The marketability or ability to buy or sell an asset without incurring unacceptable large losses thus determines the liquidity of an asset or defines it as near cash.

This Policy is implemented to provide guidance on the minimum liquidity level that Knysna Municipality has to maintain in order to comply with required legislative and / or National Treasury directives and within the overall financial management objectives as approved/reviewed by the Council from time to time.

2. *Background and Approach*

Various policies and procedures exist that direct the way in which the business of Knysna Municipality is or should be conducted in a prudent manner. Generally, these policies and procedures flow from the prescription made in Legislation i.e. the Municipal Finance Management Act ("MFMA") and/or directives issued by a national department such as National Treasury.

Guidelines provided by National Treasury indicate that an acceptable level of cash resources needs to be available for working capital requirements (see below).

It is for this reason that the need to have an official Liquidity Policy was identified.

3. *Legislative Requirements*

3.1. The MFMA circular 71 stipulates the following two prescribed ratios to manage liquidity:

- Cash/Cost Coverage Ratio (NT Norm: 1 – 3 Months); and
- Current Ratio = Current Assets / Current Liabilities (NT Norm: 1.5 - 2:1)

3.2 The above guidelines are noted but the proposed policy is more conservative to ensure that the municipality secures its strong financial position thereby providing comfort to investors.

4. *Liquidity Policy*

This policy provides guidance on the determination of the minimum liquidity requirement and the calculation of the liquidity available of Knysna Municipality from time to time (refer to Annexure 1).

Notwithstanding the requirements as reflected in this policy, Knysna Municipality should work towards a position where the Current Assets (excluding debtors older than 90 days) cover all Current Liabilities at least two times, but as a minimum Current Assets (excluding debtors older than 90 days) must cover Current Liabilities at least one-and-half times by the end of the 2022-2023 ~~2021/2022~~ financial year.

The policy encapsulates certain key aspects and considerations which have been outlined below:

4.1. KEY COMPONENTS OF MINIMUM LIQUIDITY REQUIRED

The following constitutes the key elements to take into consideration when determining the liquidity requirement of Knysna Municipality:

4.1.1. *To comply with statutory requirements, it is proposed that the following funds, reserves and provisions be fully covered by unencumbered cash and investments:*

4.1.1.1. All earmarked or conditional grant transfers from spheres of Government or from Public Contributions made to Knysna Municipality that have not yet been utilized;

4.1.1.2. All commitments resulting from the legally entrenched rights and benefits employees have, with specific reference to the Council's short-term commitment to staff retirement benefits and medical fund claims payable;

4.1.1.3. All funds not yet been utilized in relation to agency services provided on behalf of Provincial or National Government should also be treated as earmarked funds;

4.1.1.4. All reserves stated by Knysna Municipality on its Statement of Financial Position that have been established for the purposes of making provisions for a defined purpose.

4.1.1.5. Proceeds from the disposal of movable and immovable assets.

4.1.1.6. All unspent borrowings earmarked for completion of specific capital projects.

4.1.1.7. Provisions for the clearing of alien vegetation and the rehabilitation of landfill sites to the extent that these funds are required within the following 5 years.

4.1.2. *Cognisance also needs to be taken of the external loan commitments and the servicing of capital and interest on these loans. Therefore, provision should be made that Knysna Municipality can meet its external loan/financial commitments together with the normal operational expenditure, as well as its liabilities to staff.*

4.1.3. *All investments ceded as security against long term loans need to be excluded from total cash and investment balances for the calculation of the minimum liquidity level required.*

4.1.4. *In addition, a level of cash available for normal operational expenditure needs to be held in cash to ensure that, notwithstanding fluctuations in the monthly income levels of Knysna Municipality, Knysna Municipality will be in a position to meet its financial requirements. In this respect, the average monthly operational expenditure needs to be used as a guide for the minimum buffer required. A minimum of one month's operational expenditure excluding debt impairments, depreciation and other non-cash items should be available for liquidity cover.*

4.1.5. *The "golden rule" should be to ensure that Knysna Municipality will have adequate liquid assets (those that can be converted into cash within 24 hours, weekly or monthly, as the requirement might be) to meet its short term financial commitments.*

4.2. CALCULATION OF AVAILABLE LIQUIDITY

The amount of liquidity available should be determined at least once a month. The following should be regarded as cash and/or near cash in calculating the available liquidity:

4.2.1. All cash held in a bank account or invested with a money market fund;

4.2.2. 95% of the value of all Negotiable Certificate of Deposit (NCD's) or other tradable instruments issued by a bank that are not already ceded;

4.2.3. 90% of the market value of all listed bonds on the JSE in which Knysna Municipality is allowed to invest in;

4.2.4. Consumer debtors aged from current to 60 days;

4.2.5. Amount of unspent conditional grants and public contributions excluded from own funds held in bank accounts;

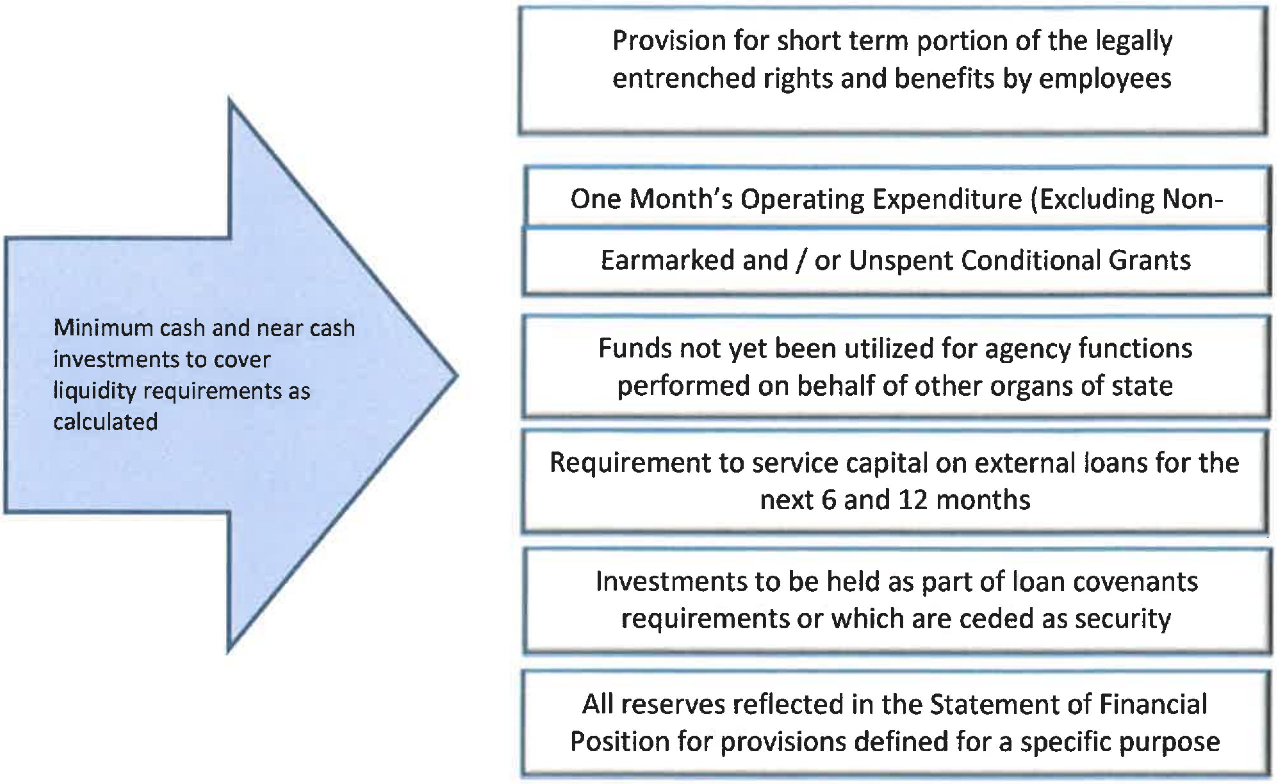
4.2.6. Funds provided to Council for expenditure on activities executed on behalf of other spheres of Government (Provincial and / or National) as part of an agency function, excluded from own funds held in bank accounts;

4.2.7. Funds ring-fenced for cash backed reserves that are excluded from own funds held in bank accounts;

4.2.8. Cash amounts that need to be held by Council resulting from loan covenants that are part of the conditions of loans extended, but not ceded outright to lenders;

4.2.9. The undrawn portion of an unconditional bank overdraft facility or liquidity facility available to Knysna Municipality.

The aforementioned in paragraphs 4.1. and 4.2. can schematically be reflected as follows:



4.3 IMPLEMENTATION AND MONITORING OF COMPLIANCE WITH LIQUIDITY POLICY:

Once the policy is approved, the Chief Financial Officer is to be tasked to ensure that the required cash has to be maintained to continue meeting the requirements as set out in this policy.

Firstly, the minimum required liquidity level should be calculated based on audited annual financial statements. This level of liquidity required needs to be specifically budgeted for and on a quarterly basis be reported to the Finance Committee and / or other Committees as might be stipulated by Council, as well as to Council.

Notwithstanding National Treasury's one to three months' operational expenditure guideline, it is recommended that Council set a liquidity target, as per the Annexure 1, to be achieved by the end of the 2022/2023 ~~2021/2022~~ financial year.

The cash provisions made to repay external loan commitments, if specifically earmarked, should also be added to this minimum working capital liquidity, to prevent fluctuations in the working capital reserve that could place the minimum level of liquidity levels under pressure.

5. *CORPORATE GOVERNANCE (OVERSIGHT)*

The minimum liquidity requirements must be determined, at least, on a monthly basis by the Chief Financial Officer and reported to the Municipal Manager.

Compliance with this policy will be monitored by the Chief Financial Officer. The Chief Financial Officer must present the liquidity compliance reports to the Finance Committee and the Audit Committee of the municipality.

Where compliance has been breached, the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

6. *POLICY MANAGEMENT*

The Liquidity Policy forms part of Knysna Municipality's overall financial objectives and therefore forms part of approved Budget Policies. The policy must be reviewed at least annually during the budget process and presented to Council for approval.

The policy is effective from the date of approval by Council.

ANNEXURE 1

Liquidity Requirement as per Liquidity Policy

Liquidity Requirement Calculation

All earmarked and/or conditional grants received but not yet utilised	
Value of legally entrenched short-term rights and benefits of employees related to Medical benefits & Retirement benefits	
Unspent Loan Funds	
Funds held for agency services not yet performed	
Reserve funds reflected in Statement of Financial Position that are assumed to be cash-backed	
Capital redemption and interest payments on external loans not reflected as part of normal operational expenditure	
1 month's operational expenditure excluding non-cash items	
Commitments resulting from contracts concluded as part of Capex Programme, not reflected in the operational budget	
TOTAL LIQUIDITY REQUIREMENT	

Actual available liquidity held

Bank Balance at e.g.: - ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market	
Bank balance sub total	
95% of all other term investments with Banks	
90% of Market value of all Bonds on the JSE that are held	
Consumer debtors (current – 60 days)	
Other reserves held in cash not reflected in bank balances mentioned above for e.g.:	
- Unspent conditional grants	
- Payments received for agency functions not yet performed	
- The cash value of reserves held	
- Cash deposits held as part of loan covenants or ceded	
- Undrawn bank overdraft facility or committed liquidity lines available	
TOTAL LIQUIDITY AVAILABLE	

LIQUIDITY SURPLUS / (SHORTFALL)

SURPLUS TO BE APPROPRIATED TO CAPITAL REPLACEMENT RESERVE